

**HISTORIC RESOURCE STUDY  
CHESAPEAKE & OHIO CANAL NHP**

**2.**  
**THE ECONOMICS OF  
CONSTRUCTING  
THE C & O CANAL**

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## I. EMERGENCE OF THE C&O CANAL PROJECT: 1822–1828

The decline of the Potomac Company coincided with the dawn of the canal era in the United States. The age of simple river improvements had passed. In the nineteenth century attention turned to the feasibility of building permanent, artificial canals as an effective means of transportation. Canals combined the cheapness of water travel with the reliability of an independent waterway and the ease of a level, Stillwater route. Early efforts to enlist the support of the federal government of the various canal projects failed, and the states turned to their own resources. The commencement of the Erie Canal by the State of New York in 1817 marked the beginning of the active phase of the canal era. Pennsylvania followed with its main line of public works in 1826 as competition for the newly-completed Erie Canal. Ohio and other western states also began to participate in the canal-building race. In the 1820s Maryland and Virginia also began to lay plans for a canal to the west via the Potomac Valley.<sup>1</sup>

Promoters of the schemes to replace the Potomac Company were able to draw several valuable lessons from the financial experiences of that enterprise. Thus they might avoid the pitfalls of the earlier undertaking while striving to attain the fruits of success which eluded it. The most obvious lesson was the need of adequate financial support for a renewed undertaking. A vitally necessary corollary to the acquisition of adequate funding would be successful integration of the interests of Virginia, Maryland, and the federal government in the new endeavor.

In the years following the War of 1812, a number of proposals were made to construct independent canals along the Potomac River in the attempt to develop a viable route to the West. While none of these early projects materialized, they were significant in that they all embodied plans to abandon river improvements for artificial canals. They also led in part to a searching investigation of the whole Potomac Company undertaking, particularly after an inquiry by the newly-created Virginia Board of Public Works in 1816 led to the discovery that despite the expenditure of large sums, the company had failed to fulfill the requirements of its charter.<sup>2</sup>

Seeing the trend of public opinion and fearful of losing its vested rights, the Potomac Company formally requested a survey of its works in 1819. The State of Virginia authorized the Board of Public Works to conduct the inspection and to include a survey of the land between the Potomac and the southern branches of the Ohio for a possible connection of the two rivers. Thomas Moore, the engineer of the Board, made two examinations in 1820 and 1822. At the invitation of Virginia, the State of Maryland also sent an engineer, Isaac Briggs, to accompany Moore on his second trip. After the death of Moore during the second surveying expedition, Briggs completed the study under special authorization from the state of Virginia.<sup>3</sup>

The two reports issued by Moore and Briggs on their surveys added impetus to the call for an artificial waterway from tidewater on the Potomac to Cumberland and of a further connection with the Ohio River. Moore's report on the results of his first inspection confirmed the opinion that a connection between the two rivers was practicable, and estimated the cost of a canal along the Potomac from tidewater to Cumberland to be \$1,114,300.<sup>4</sup>

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<sup>1</sup> George Washington Ward, *The Early Development of the Chesapeake & Ohio Canal Project* (Baltimore, 1899), 36, and George Rogers Taylor, *The Transportation Revolution, 1815–1860* (New York, 1951), 32–48.

<sup>2</sup> Proceedings of the President and Directors of the Potomac Company, B, 340, and Peyton to President and Directors, November 8, 1816, and Mason to Peyton, December 8, 1817, *ibid.*, 340–350.

<sup>3</sup> Ward, *Early Development of Chesapeake & Ohio Canal*, 40–45, and Proceedings of the President and Directors of the Potomac Company, B, 440–441.

<sup>4</sup> U.S., Congress, House, Committee on Roads and Canals, *Report of the Committee on Roads and Canals*, Rept. No. 90, 19<sup>th</sup> Cong., 2d sess., 1827, Appendix 3, 33–35.

In a more detailed report in December 1822, Briggs estimated the cost of an independent canal along the Potomac 30 feet wide at the surface, 20 feet wide at the bottom, and 3 feet deep, to be \$1,578,954, or \$8,676 per mile. If the average cost per mile were applied in exact proportion to a canal of the same dimensions as the Erie, Briggs noted that the cost would be \$15,732 per mile, a sum that was approximately the same as that spent on those parts of the Erie where heavy excavation and extensive lockage were required.<sup>5</sup>

Simultaneously with the surveys by Briggs and Moore, a joint commission, appointed by the States of Virginia and Maryland, was conducting an investigation of the financial affairs of the Potomac Company. In their report to the governors of their respective states in December 1822, the commissioners found that the company had not only used all of its capital stock and collected tolls, but had incurred heavy debts which its resources would never enable it to discharge. From the commencement of operations in 1785 until August 1, 1822, the company had spent \$729,387.29 on construction. The stock subscriptions to the company by the States of Virginia and Maryland and private investors amounted to \$311,111.11, and beyond this sum the company had contracted loans totaling \$175,886.59. Since August 1, 1799, the company had collected \$221,927.67 in tolls, but these revenues had been exhausted in the construction expenditures. The commissioners concluded that the enterprise would never be able to meet the terms of its charter to provide an effective navigation between tidewater on the Potomac and Cumberland by means of river improvements and skirting canals around the rapids.<sup>6</sup>

After determining that the Potomac Company works were only providing an average annual navigation period of 45 days, the commissioners recommended the construction of the artificial waterway proposed by Briggs. The estimated cost of \$1,578,954 should be divided by Virginia and Maryland, the money to be raised by 16 or 20 year loans. Once the loans were negotiated, the state legislature should open the books for individual subscriptions, the individuals to be entitled to the stock for which they subscribed provided they paid their annual interest on the amount to the state. All stock not sold in such manner should be held by the two states.<sup>7</sup>

After these reports were made, the question arose as to how this improvement should be put into effect. There were two alternative choices: an additional subscription to the Potomac Company, or the creation of a new company to take over the rights and privileges of the old one. Although the officials of the existing company argued for the adoption of the former alternative, it was decided to create a new enterprise, designated as the Potomac Canal Company to indicate its purpose and distinguish it from the older organization. The Virginia Assembly passed an act of incorporation, February 22, 1823.<sup>8</sup>

The act did not require the consent of Congress, but did stipulate that it must be confirmed by the State of Maryland to become operable. By its terms, Maryland was to subscribe \$500,000, one third of its total capital. In Maryland, the act encountered the opposition of local interests, particularly the Baltimore merchants who saw the proposed canal as providing their competitors on the Potomac with the advantages of the western trade. At the public rally at the Baltimore Exchange on December 20, 1823, a major debate took place between Robert G. Harper, a former U.S. Senator, from Maryland representing the promoters of the canal, and George Winchester, a spokesman for the local business interests. Fearing that the projected canal

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<sup>5</sup> *Message of the Governor of Maryland, Communicating the Report of the Commissioners Appointed to Survey the River Potomac* (Annapolis, 1822), Appendix, 77–84.

<sup>6</sup> *Letter from the Governor and Council of Maryland, Transmitting a Report of the Commissioners Appointed to Survey the River Potomac* (Washington, 1823), 5–9, 25–29.

<sup>7</sup> *Ibid.*, 23–24.

<sup>8</sup> Annual Report (1823), Potomac Company, in Proceedings of the President and Directors of the Potomac Company, C, 14–15, and *The Potomac Canal: Papers Relating to the Practicability, Expediency, and Cost of the Potomac Canal* (Washington, 1823), Appendix, 30–39.

might establish the District of Columbia as a rival market to their city, those attending the meeting unanimously adopted resolutions opposing Maryland's subscription to the new company.<sup>9</sup> Largely as a result of the outcome of this meeting, the bill failed to pass the Maryland legislature, and lacking the consent required, the Virginia act became inoperative.<sup>10</sup> This ended the last attempt by Virginia and Maryland to effect a real improvement of the Potomac Valley route without federal support.

Nevertheless real progress had been made by 1823 in the effort to open the river as a route for western trade. The interest of the District cities and the States of Maryland and Virginia had been focused on the Potomac. A series of articles penned by Abner Lacock, a former U.S. Senator from Pennsylvania and internal improvements enthusiast, appeared in the *Washington Intelligencer* supporting the plans submitted by Moore and Briggs.<sup>11</sup> Even Briggs wrote a lengthy article in the newspaper defending his proposal with the following statement:

In consequence of the long and narrow form of Maryland, this proposed improvement will bring almost to our very doors, the cheapest, safest, and most perfect of all possible modes of conveying our produce to market; and of bringing home its returns. It will...establish the predominance of, the agricultural interest. The western parts of Pennsylvania, the northern parts of Virginia, the rich state of Ohio, & c. by making their channel of commerce, will pour countless treasures into the lap of Maryland, and, at the same time, enrich themselves; for the benefits of commerce must be reciprocal, otherwise it cannot flourish, and will soon cease to exist.<sup>12</sup>

Numerous memorials from the inhabitants of Pennsylvania, Maryland, and Virginia, were referred to the House Committee on the District of Columbia requesting that the federal government aid the improvement of the Potomac route, and the chairman of the committee, Charles F. Mercer, proposed legislation to that effect.<sup>13</sup>

During the summer, James Shriver, a leading civil engineer and promoter of American canals, undertook a survey of the proposed route of the canal and later published his findings, concluding that a connection could be made from tidewater on the Potomac to Pittsburg on the Ohio for the sum of \$5,566,564.<sup>14</sup>

In Congress, the friends of internal improvements were beginning to make headway in their campaign for federal support. The government appeared to be ready to undertake a general program of aid to public works. It was in this atmosphere that the first Chesapeake & Ohio Canal Convention met in Washington, November 6–8, 1823.

The convention assembled at the Capitol at the call of a meeting of the citizens of Loudoun County, Virginia. This earlier gathering had been held to discuss the proposals for the im-

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<sup>9</sup> *Gen. Harpers' Speech to the Citizens of Baltimore, on the Expediency of Promoting a Connexion Between the Ohio, at Pittsburgh, and the Waters of the Chesapeake, at Baltimore, by a canal through the District of Columbia, with His Reply to Some of the Objections of Mr. Winchester* (Baltimore, 1824), 3, 62–63, 78.

<sup>10</sup> U.S., Congress, House, Committee on Roads and Canals, *Chesapeake & Ohio Canal, to Accompany Bill H.R. No 94*, H. Rept. 414, 23d Cong., 1<sup>st</sup> Sess., 1834, 4.

<sup>11</sup> All of the newspaper articles were collected into a single volume: Abner Lacock, *Great National Object: Proposed Connection of the Eastern and Western Waters by a Communication through the Potomac Country* (Washington, 1822).

<sup>12</sup> *Washington National Intelligencer*; July 12, 1822 [date in source is 1828, which appears to be an error].

<sup>13</sup> All of the petitions and the proposed legislation appear in *Report of the Committee of the District of Columbia*, May 3, 1822 (Washington, 1822).

<sup>14</sup> James Shriver, *An Account of Surveys and Examinations, with Remarks and Documents, Relative to Chesapeake & Ohio, and Ohio and Lake Erie Canals* (Baltimore, 1824), 6–66.

provement of the Potomac route after the Potomac Canal Company project proved abortive, and to expand the scope of the project to include a canal all the way to the Ohio River. It requested similar meetings in other counties to support the citizens of Loudoun in their appeal for a general convention. In response to this plea many counties in Virginia, Maryland, and Pennsylvania chose delegates to the conference. In addition to these representatives there were members of the District Cities and several unofficial guests from Ohio. Among the most important men present were: Albert Gallatin of Pennsylvania; Bushrod C. Washington, Richard E. Byrd, and Charles F. Mercer of Virginia; Joseph Kent, Thomas Kennedy, and George C. Washington of Maryland; and Francis Scott Key, John Mason, and Thomas Corcoran of the District of Columbia. Governor Joseph Kent of Maryland, a long-time supporter of internal improvements, was the presiding officer of the convention, but Charles F. Mercer, United States Representative from Virginia who was serving on the Committee on the District of Columbia at that time,<sup>15</sup> exercised the guiding hand as chairman of the influential Central Committee.<sup>16</sup>

The primary functions of the convention were the mobilization of public opinion behind the proposed connection between the Potomac and the Ohio and the creation of organizations to give effect to this rising interest. Resolutions were adopted urging the connection with the West, and committees were named to formulate plans for the canal and to petition Congress and several states for consent and aid in the project. Relative to the financial arrangements for such an undertaking, the convention passed the following resolutions:

That the most eligible mode of attaining this object will be by the incorporation of a joint stock company, empowered to cut the said Canal through the territory of the United States, in the District of Columbia, and of the States of Virginia, Maryland, and Pennsylvania...that...the completion of the Eastern section of the Canal...(tidewater to Cumberland)...be obtained through separate acts of the Governments and Corporations, of the states of Maryland and Virginia, of the United States, and of the three cities of the District of Columbia, a subscription to the amount, if necessary, of 2,750,000 dollars, in the following proportions, 2/11ths to be subscribed by the state of Maryland, 3/11ths by the state of Virginia, 4/11ths by the United States, and 2/11ths by the District cities, to be divided between them, according to an equitable ratio, to be fixed by themselves. In case a part of the sum aforesaid shall be subscribed by private individuals, in the mode provided by the act aforesaid, the several States and Corporations, within which such individual subscriptions are received, shall be requested to assume, as part of their aforesaid quotas, the amount of such subscription, under such security as they may deem expedient for the payment thereof, by the subscribers to them respectively:

That the Government of the United States be earnestly solicited to obtain the whole of this sum on loan, receivable in four annual installments, upon the issue of certificates of stock, bearing an annual interest not exceeding five per cent and irredeemable for thirty years, and to guarantee the repayment thereof on a specific pledge of the public lots in the City of Washington, of the United States stock in the Canal and the public faith:

That the first installment of the loan be made payable on the 1<sup>st</sup> of March, 1825, and the last on the 1<sup>st</sup> of March, 1829:

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<sup>15</sup> Mercer was a member of the Committee on Roads and Canals in the 20<sup>th</sup> and 21<sup>st</sup> Congresses (March 4, 1827–March 3, 1831); and chairman in the 22<sup>nd</sup> through the 25<sup>th</sup> Congresses (March 4, 1831–March 3, 1839).

<sup>16</sup> House Report 414, 4 and Appendix A, 67–68, and *Proceedings of the Chesapeake & Ohio Canal Convention* (Washington, 1827), 1–6.



That the interest of each State and Corporation, upon its proportion of the said loan, be paid into the Treasury of the United States, according to the terms of the loan, and the principal sum at the expiration of thirty years, the period to be fixed for its redemption:

That, in the event of a refusal by the Government of the United States to negotiate the said loan, each State and Corporation shall provide the amount of its respective subscription, in such manner as may seem to it best.<sup>17</sup>

The success of the convention can best be measured by the course of events in the years immediately following. In his annual message in Congress in December 1823 President James Monroe referred to the convention's activities and urged Congress to give favorable consideration to the project, if its constitutional scruples would permit. Taking a relatively strong stand in favor of national aid to internal improvement companies, he indicated that his personal constitutional qualms were satisfied by the belief that the government could assist improvement projects if the operation of these works was turned over to the states or to private companies after completion. Although real participation by the general government in internal improvement projects had to await the presidency of John Quincy Adams, the President's message added momentum to the canal campaign.<sup>18</sup>

There was other evidence of success that emanated from the canal convention. Congress responded to President Monroe's message by providing \$30,000 for a detailed survey of the proposed route by the United States Board of Engineers as part of a general program for studying possible routes for roads and canals "with a view to the transportation of the mail, the commercial intercourse, and military defense of the United States."<sup>19</sup> Upon receiving the memorial for an act of incorporation, the Virginia Assembly passed the necessary law on January 27, 1824.<sup>20</sup>

After the opposition of Baltimore interests and the indifference of the southern and eastern counties of the state had been overcome, the Maryland Assembly confirmed the Virginia act of incorporation on January 31, 1825.<sup>21</sup>

The petition to the Pennsylvania legislature failed both in 1824 and 1825, primarily because of the opposition of Philadelphia interests who were concerned that the canal would end the economic dependence of western Pennsylvania on their city.<sup>22</sup>

The U.S. Board of Engineers made a preliminary report on February 14, 1825. The Board concurred in the opinion of Thomas Moore and Isaac Briggs that the connection between tidewater on the Potomac and the Ohio at Pittsburgh via the Youghiogeny or Monongahela by an artificial canal was practicable. Although the U.S. engineers did not have sufficient data to estimate the expense of the work, they concluded that the cost would not bear any comparison with the

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<sup>17</sup> *Proceedings of the Chesapeake & Ohio Canal Convention*, 13–17, and U.S., Congress, House of Representatives, Committee on Roads and Canals, *Chesapeake & Ohio Canal*, H. Rept. 47, 20<sup>th</sup> Cong., 1<sup>st</sup> sess., 1828, 10–14.

<sup>18</sup> James D. Richardson, ed., *A Compilation of the Messages and Papers of the Presidents* (10 vols., Washington, 1896), II, 216.

<sup>19</sup> *Proceedings of the Chesapeake & Ohio Canal Convention*, 42. [Note: The \$30,000 was to fund the General Survey Act of 1824 as a whole. See Forest G. Hill, *Roads, Rails, & Waterways: The Army Engineers and Early Transportation*, 47, University of Oklahoma Press, 1957—kg]

<sup>20</sup> Act of State of Virginia, Acts of the States of Virginia, Maryland, and Pennsylvania, and of the Congress of the United States in relation to the Chesapeake & Ohio Canal company (Washington, 1828)2–15.

<sup>21</sup> *Laws Made and Passed by the General Assembly of the State of Maryland* (Annapolis, 1824), Ch. 79.

<sup>22</sup> Walter S. Sanderlin, *The Great National Project: A History of the Chesapeake & Ohio Canal* (Baltimore, 1946), 54.

political, commercial, and military advantages it would afford to the nation. Furthermore, the engineers concluded that

The obstacle to a communication by the Potomac route with the Western states, lessens to a point, compared with the greatness of the object, whether in a commercial or political relation to the prosperity of the country. In Europe, their canals, even those of Governments, have all some definite limited object of utility. But here it is not alone the distance—the elevation—the vast natural navigation to be connected, which constitutes the grandeur of the design; but the immense interests it combines into an harmonious national whole.<sup>23</sup>

The report appeared to assure the ultimate success of the project by removing all remaining doubts as to its practicability. Congress confirmed the act of the Virginia Assembly, chartering the canal company in a measure approved by President Monroe on March 3, 1825, the last day of his administration.<sup>24</sup>

According to the terms of the charter, the Chesapeake & Ohio Canal Company was empowered to accept subscriptions for the purpose of financing the construction of an artificial waterway from tidewater on the Potomac in the District of Columbia to the highest point of permanent navigation on the Ohio River at Pittsburgh via the shortest possible route. The charter stipulated that the eastern section of the canal must be completed before the western section could be started. The act gave the canal company the power to condemn land and hold it in fee simple when used for canal purposes and granted it the right to use the water of the rivers for navigation purpose. The company was to be free forever from taxation. It must complete the entire project in twelve years. The dimensions of the waterway were to be at least 40 feet wide at the water surface, 28 feet wide at the bottom, and four feet deep. The use of injunctions was prohibited to allow the company officers to carry on their work with the least possible hindrance. The following year on February 26 Pennsylvania confirmed the charter with two principal reservations requiring the canal company to commence the construction of the western section within three years and to use Congressional funds equally for both eastern and western sections.<sup>25</sup>

Now that the company had hurdled the legal obstacles to its final organizations, friends of the project promptly began the campaign to obtain public support with renewed confidence.

On October 23, 1826, however, three U.S. Topographical Engineers, and John L. Sullivan, made their full report, which President John Quincy Adams formally transmitted to Congress on December 7, 1826. The report supported the earlier declarations that the proposed connection of the Potomac and Ohio Rivers was physically practicable, but estimated the cost of the canal with the enlarged dimensions of 48 feet in width at the surface, 33 feet in width at the bottom, and 5 feet in depth at \$22,375,427.69. According to the report, the canal was to be divided into three sections: the eastern extending from Georgetown to Cumberland; the middle stretching from Cumberland to the mouth of the Casselman River on the Youghiogheny; and the western reaching

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<sup>23</sup> Totten, Bernard, and Sullivan, to Macomb, February 3, 1825, *Reports on Internal Improvements, 1823–39*, Records of the Chief of Engineers; Record Group 77, National Archives, and *Report of the Board of Engineers for Internal Improvements, As Communicated, by Message, from the President of the United States to Congress, February 14, 1825; and an Illustration of the Report by John L. Sullivan, A Member of the Board* (Washington, 1825), 3–22.

<sup>24</sup> Act of Congress, in U.S., Congress, Senate, *Documents Relating to the Chesapeake & Ohio Canal*, S. Doc. 610, 26<sup>th</sup> Cong., 1<sup>st</sup> sess., 1840, 13.

<sup>25</sup> Act of Pennsylvania, Senate Document 610, 31–34.

from there to Pittsburgh. The respective distances, elevation, and descent, lockage, and estimated cost of these sections was as follows<sup>26</sup>:

SECTION	DISTANCE + MILES    YARDS		ASCENT & DESCENT— Ft.	NUMBER OF LOCKS	COST ESTIMATE
Eastern	185	1078	578	74	\$8,177,081.05
Middle	70	1010	1961	246	10,028,122.86
Western	85	348	619	78	4,170,223.78
	341	676	3158	398	\$22,375,427.69

The estimated cost of the canal dashed the hopes of canal supporters. They had been thinking in terms of a canal with the general dimensions that had been recommended earlier by Engineers Moore and Briggs at a cost of between \$4,000,000 and \$5,000,000. They now sent out a call for a second Chesapeake & Ohio Canal Convention to be held in Washington on December 5, 1826.<sup>27</sup>

The principal task of the second assembling of the convention was to dispel the gloom which paralyzed the canal project's supporters. To accomplish this purpose the delegates, among whom were Andrew Stewart of Pennsylvania, George Washington Parke Custis of Alexandria County, D.C., and Henry Clay of the District of Columbia in addition to the majority of those who had attended the earlier meeting, sought to discredit the estimate of the U.S. Board of Engineers and to cause a new survey to be made to determine the true cost of the work on the enlarged dimensions. The report of the government engineers was exhaustively examined and compared with the actual cost of constructing the Erie, the Pennsylvania Main Line, the Ohio and Erie, and the Delaware and Hudson Canals. A committee appointed at the opening session of the convention and chaired by Andrew Stewart of Pennsylvania reported that the allowances for labor costs were much too high and that the estimates for masonry, walling, and excavation were generally double or triple the prices paid on other canals. The convention delegates concluded that the Georgetown–Cumberland section of the canal could be built for \$5,273,283, and the entire canal from Georgetown to Pittsburgh for \$13,768,152, without changing the dimensions or durability of the waterway.<sup>28</sup>

At the same time, supporters of the canal in Congress urged President Adams to submit the conflicting estimates to a review by practical and experienced civil engineers. At the request of thirty-two members of Congress, the President appointed James Geddes and Nathan Roberts, both of whom had first gained renown as engineers on the Erie Canal and thereafter on the Ohio and Erie and Pennsylvania Main Line, to revise the estimates for the eastern section on the basis of actual wages and current prices for materials. They completed the surveys in 1827 and their report was submitted to Congress on March 10, 1828. In the document which was used as the primary source on which the initial stock subscriptions and early stages of construction were based, the two engineers applied their estimates to a canal of three different dimensions. The first plan was for a canal of 40 feet in width at the surface, 28 feet in width at the bottom, and 4 feet in depth. The second plan called for a canal based on the dimensions used by the U.S. Board of Engineers, while the third estimate was for an enlarged waterway of 60 feet in width at the surface, 42 feet in width at the bottom, and 5 feet in depth. The estimates for these plans, including a ten

<sup>26</sup> U.S. Congress, House, Message of the President of the United States, Transmitting a Report from the Secretary of War with that of the Board of Engineers for Internal Improvement, on the Chesapeake & Ohio Canal, H. Doc. 10, 19th Cong., 2nd sess., 1826.

<sup>27</sup> Sanderlin, *Great National Project*, 55.

<sup>28</sup> *Proceedings of the Chesapeake & Ohio Canal Convention*, 65–85.

percent allowance for contingencies but excluding any allowance for the purchase or condemnation of land or water rights, were \$4,008,005.28 or \$21,461.87 per mile; \$4,330,991.68 or \$23,191.38 per mile; and \$4,479,346.93 or \$23,985.79 per mile respectively.<sup>29</sup>

Fortified with this estimate, the canal supporters renewed their campaign to obtain federal and state funding for the project. The commissioners who had been appointed by the President of the United States and the Governors of Maryland and Virginia formally opened the books for the subscriptions of stock on October 1, 1827. In less than six weeks there had been subscribed more than \$1,500,000.<sup>30</sup>

This sum was sufficient, under the provisions of the charter, to permit the organization of the canal company, but this action was delayed until Congress should act. After a lengthy debate, the friends of the canal project in Congress secured the passage of an act on May 24 directing the Secretary of the Treasury to subscribe for 10,000 shares of stock of the Chesapeake & Ohio Canal Company valued at \$1,000,000. The act authorized the subscription to be paid out of the dividends accruing to the United States on account of the stock of the United States Bank.<sup>31</sup> The subscription on the part of the United States fulfilled the condition of an earlier Maryland subscription of \$500,000 to the stock of the canal company, and that act now became effective.<sup>32</sup>

On the same day that it passed the subscription act, congress also approved an act providing its sanction to any subscriptions which had been or might be made to the stock of the canal company by the corporations of Washington, Georgetown, and Alexandria.<sup>33</sup> Washington had already subscribed 10,000 shares and soon Georgetown and Alexandria each subscribed 2,500 shares, thereby making a total investment of \$1,500,000 in the new enterprise by these three debt-ridden cities. Shortly thereafter, Shepherdstown, Virginia, subscribed to \$20,000 of the company stock.<sup>34</sup> These sums, together with private investments totaling \$588,400, insured the successful launching of the long-awaited national project.<sup>35</sup>

The following month on June 20–23, the formal organization of the Chesapeake & Ohio Canal Company took place at a meeting of stockholders in the Washington City Hall, and the formal groundbreaking ceremonies were held near Little Falls on July 4.<sup>36</sup>

<sup>29</sup> Geddes and Roberts to Macomb, February 23, 1828, *Reports on Internal Improvements, 1823–39*, Records of the Chief of Engineers, Record Group 77, and U.S., Congress, House, *Letter from the Secretary of War Transmitting Estimates of the Cost of Making a Canal from Cumberland to Georgetown*, H. Doc. 192, 20<sup>th</sup> Cong., 1<sup>st</sup> sess., 1828, 5–6, 98.

<sup>30</sup> Richard W. Gill and John Johnson, *Reports of Cases Argued and Determined in the Court of Appeals of Maryland* (Baltimore, 1833), IV, 28–29, 57.

<sup>31</sup> Act of congress, *Chesapeake & Ohio Canal Company: Acts of the States of Virginia, Maryland, and Pennsylvania, and of the Congress of the United States, in Relation to the Chesapeake & Ohio Canal Company* (Washington, 1828), 44–45, and *Washington National Intelligencer*, May 31, 1828.

<sup>32</sup> *Laws Made and Passed by the General Assembly of the State of Maryland* (Annapolis, 1827), Ch. 61.

<sup>33</sup> Act of Congress, *Chesapeake & Ohio Canal Company: Acts*, 45–49.

<sup>34</sup> *Report to the Stockholders on the Completion of the Chesapeake & Ohio Canal to Cumberland, with a Sketch of the Potomac Company, and a General Outline of the History of the Chesapeake & Ohio Canal Company* (Frederick, 1851), 39–40, and *Ordinances of the Corporation of Georgetown* (Georgetown, 1829), 19.

<sup>35</sup> U.S., Congress, House, Committee on Roads and Canals, *Chesapeake & Ohio Canal*, H. Rept. 141, 20<sup>th</sup> Cong., 1<sup>st</sup> sess., 1828, 50–59, and House Report 414, 14.

<sup>36</sup> Proceedings of Stockholders, A, 1–3, and *Washington National Intelligencer*, July 7, 1828.

## II. DISMAL COMMENCEMENT OF THE C&O CANAL PROJECT: 1828–1834

During the early years of construction, the progress of the canal was repeatedly disrupted by problems growing out of the actual construction. These early trials of the canal project closely foreshadowed the future obstacles to its successful completion. The shortage of laborers was felt as soon as large-scale construction commenced a factor which caused the cost of wages to rise above earlier projections. Land disputes occupied much of the attention of the canal board as local landowners resisted the efforts of the company to keep costs at a minimum and sought instead to extract the maximum benefit from the loss of their lands. The late 1820s and early 1830s were also a period of rapid inflation, thereby contributing to the increase in costs of labor, land acquisition, and the supply and the transportation of construction materials.

As a result of these troubles, the canal company itself became involved in financial difficulties, a problem which it exacerbated by its own ill-advised enthusiasm. Among the actions of the board which illustrate the latter point were the decisions to build a canal with a much larger prism than had been proposed by most of the preliminary surveys and to purchase the strip of land between the canal and the river.

On top of these distractions, the company had to contend with a legal controversy growing out of a dispute with the Baltimore & Ohio Railroad Company over the right of way above Point of Rocks and the hostility of the Jackson administration toward national support for internal improvements in general and the Chesapeake & Ohio Canal in particular.

As early as the spring of 1829, many of the contractors were in financial difficulty despite the fact that the canal company had allowed higher estimates in the letting of its early contracts than had been made by Geddes and Roberts in 1827. For example, the two civil engineers had estimated the cost of common excavation at eight cents per cubic yard while the contracts let for Sections Nos. 1–34 from Little Falls to Seneca Falls, permitted an average of 9 1/6 cents.<sup>37</sup>

Before active construction operations resumed in the spring of 1830, Chief Engineer Benjamin Wright informed President Charles F. Mercer that “the truth is that we know the prices of these contractors are all very low, and that it yet remains doubtful whether they can sustain themselves.”<sup>38</sup> He had made this statement after a general price increase of 25 percent had already been allowed, but the following month many of the lock contractors were again in financial distress. After Richard Holdsworth, the contractor for Aqueduct No. 1 and Locks Nos. 21, 23, and 24, complained on March 24 that his inability to obtain adequate funds had forced him to the brink of bankruptcy, Wright informed Mercer that “painful and unpleasant as this statement of Mr. Holdsworth is, I believe there is too much truth in it and...I do not believe the others (lock contractors) are in any better situated than Holdsworth.”<sup>39</sup>

### AMOUNT AND COST OF WORK DONE AS OF MAY 1, 1829

- 450,263 cubic yards of earth, gravel, and clay excavated, comprehending loose stone, of a weight each less than what it would require two men to lift on a cart or wheelbarrow, at an average price per cubic yard, of 8 53/100¢
- 45,452 cubic yards of hard pan, at an average price, per cubic yard, of 21¢

<sup>37</sup> Proceedings of the President and Board of Directors, A, 230–231, and Niles’ Register, XXV (August 30, 1828), 6.

<sup>38</sup> Wright to Mercer, February 9, 1830, Ltrs. Recd., C&O Co.

<sup>39</sup> Proceedings of the President and Board of Directors, A, 202; B, 49; Wright to Mercer, March 25, 1830, Ltrs. Recd., C&O Co., and Leckie to Wright, July 1830, W. Robert Leckie Papers, Duke University.

- 14,437 cubic yards of rock quarried, at an average price, per cubic yard, of 28 35/100¢
- 43,930 cubic yards of rock blasted, at an average price per cubic yard, of 53¢
- 39,378 cubic yards of embankment, formed of earth from the canal excavations, at an average price, per cubic yard, of 10 76/100¢
- 52,352 cubic yards of embankment of earth not from the canal excavation, at an average price, per cubic yard, of 12 93/100¢
- 2,825 cubic yards of puddling, at an average price, per cubic yard, of 24 21/200¢
- 27,837 perches of 25 solid feet of external walling of rock excavated from the canal, at an average price per perch, of 54 82/100¢
- 2,066 perches of 25 solid feet of external walling of rock not excavated from the canal, at an average price, per perch, of 92 37/100¢

The extra work, so far, has not exceeded in cost \$1,035, while the total expenditures on those items alone amount to \$114,221.69 ½.

The common average of every species of excavation including every variety of earth, hard pan, and rock, is, as far as the work has gone, 13.58 cents per cubic yard.

Of embankment, whether of materials obtained from within or without the canal, 12 cents per cubic yard.

Of external, vertical, and slope wall, constructed of rock from within or without the canal, 57.42 cents per perch of twenty-five solid feet.

—Excerpted from *First Annual Report* (1829), C&O Co., 5–6

Even if the estimated cost of labor had been high enough for the prevailing level of wages and prices in 1828, some difficulty would have arisen from the general inflation which followed. In the first year the costs of construction were above the estimates of Geddes and Roberts and payments for lumber, stone, provisions, and labor all exceeded contract figures.<sup>40</sup>

The cost of water lime alone was nearly triple the original estimates. Contracts for some of the sections were not only relet but subdivided into as many as four parts in order to expedite their completion. Nearly all of the contracts for the locks had to be abandoned and relet several times, and one general increase of twenty-five per cent was granted.<sup>41</sup> By 1832 the rate of wages was almost double that prevailing in 1828, having risen from a monthly average of \$8–\$10 to \$–\$20.<sup>42</sup> By early 1834, the price of common earth excavation had risen from 9 1/6¢ to 11¢ per cubic yard; the cost of blasted rock had increased from 53¢ to 60¢ per cubic yard; and the cost of quarried rock had skyrocketed from 28 30/100¢ to 60¢ per cubic yard.<sup>43</sup>

The blasting which was necessary because of the rocky nature of the ground resulted in a series of annoying accidents, including the damage of several buildings from the concussion of the explosions and flying rocks.<sup>44</sup> To reduce the damage from this cause and to quiet the public outcry following such accidents, the canal board ordered the use of smaller charges and required that the blasting be covered with brush. The net result of this policy was more delay and increased expenses, in some cases nearly doubling the cost of certain sections.<sup>45</sup>

<sup>40</sup> *First Annual Report* (1829), C&O Co., 5–7.

<sup>41</sup> *Second Annual Report* (1830), C&O Co., 6; *First Annual Report* (1829), 7–8, and Proceedings of the President and Board of Directors, A, 178.

<sup>42</sup> Mercer to Maury, November 18, 1828, Ltrs. Sent, C&O Co., and *Fourth Annual Report* (1832), C&O Co., 15.

<sup>43</sup> House Report 414, 194.

<sup>44</sup> Balch to President and Directors, August 28, 1830, Ltrs. Recd., C&O Co., and Proceedings of the President and Board.

<sup>45</sup> Proceedings of the President and Board of Directors, B, 87–88, 152, 191, 248, 257.

Company officials reported to Congress in 1834 that the difficult excavations above Georgetown were a leading cause of the increased cost of the canal:

One cause of the higher price of the canal, below Seneca, should not be omitted. There was scarcely one-fourth of a mile of the entire line of 23 ½ miles, in which large detached stone, of the description called boulders, and ridges or strata of rock, more or less solid, did not occur. Whole sections, therefore, computed at 8 cents the cubic yard, prior to their construction, cost twelve times that sum for their mere excavation. In the bottom lands this occurred, as well as on the levels of the table land elevated more than sixty feet above the river. In some places the rock at the bottom of the canal, as on the low grounds below Seneca, for two feet of its depth, cost for excavation \$1.25 the cubic yard, though the prior estimate of the engineer comprehended no rock whatever....<sup>46</sup>

The weather was responsible for other costly delays in digging the canal prism. The winter of 1838–29 was unusually severe, and the few contractors who had begun work during the fall were forced to suspend operations until spring.<sup>47</sup>

The freshets which occurred regularly in the spring and fall often filled the lock pits and portions of the canal trunk, further retarding the work and increasing the financial difficulties of the contractors as no provision had been made in the contracts for allowances to repair flood damage.<sup>48</sup>

The high banks on the river side of the canal were another source of increased costs. Extensive dry masonry walls were needed to protect the canal from the action of the Potomac as described by U.S. Engineer William Gibbs McNeill in 1833:

Controlled as the engineer necessarily was, in his location of the canal, by the rocky and precipitous cliffs which, to a great extent, are washed by the Potomac, while an unusual quantity of rock excavation, on the one hand, was unavoidable, on the other he has judiciously disposed of his materials in the construction of permanent walls for the protection of the canal against the otherwise resistless action of the river....<sup>49</sup>

Contractors resorted to various expedients to avoid disastrous losses. The responsible ones sought redress in petitions for the payment of increased allowances from the money that had been retained by the company from their monthly estimates, usually a sum amounting to 10 percent.<sup>50</sup> Others sought to avoid losses by slipshod or fraudulent construction. On November 11, 1832, it was discovered that the contractors for Aqueduct No. 3 had instructed their stone cutters to scabble<sup>51</sup> their sheeting in the “roughest possible manner” instead of close cutting as they were being paid for and to reduce the beds of the stones nine inches under the requirements of their contract. As a result of these operations, Inspector of Masonry, A. B. McFarland predicted that “we are going to have a ridiculous piece of masonry.”<sup>52</sup>

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<sup>46</sup> House Report 414, 194–195. of Directors, A, 149.

<sup>47</sup> *First Annual Report* (1829), 5, 21–22.

<sup>48</sup> Holdsworth and Isherwood to President and Directors, Sept. 24, 1829, Ltrs. Recd., C&O Co.

<sup>49</sup> Report of Captain Wm. G. McNeill on the Condition of the Chesapeake & Ohio Canal, December 1, 1833 in House Report 414, 144–145.

<sup>50</sup> Proceedings of the President and Board of Directors, B, 388–389.

<sup>51</sup> To scabble is to work or dress stone roughly.

<sup>52</sup> McFarland to Ingle, November 11, 1832, Ltrs. Recd., C&O Co.

Earlier in May 1831 McFarland had reported on the fraudulent cost-saving building practices of Richard Holdsworth, the financially hard-pressed contractor for Aqueduct no. 1. During an inspection tour of the structure, he had detected:

the sheeting of the arches laid nearly altogether without mortar, much of which is very deficient in beds, and as a substitute for mortar, the extrados of the sheeting are white washed with grout, with (the) pretension that the joints are perfectly filled. On a strict examination, however, this proves to be false. After removing this polish of grout, I discovered many vacuums below, which did not contain a particle of either grout or mortar, and in the spandrel and wing walls, depths of from 3 to 4 feet of the walls are laid up perfectly dry and grouted at the top, trusting for mere chance for it ever to reach the bottom.<sup>53</sup>

Still others absconded with the monthly payments on the estimates, leaving both laborers and creditors unpaid. This latter problem occurred as early as the winter of 1828–29, and it became a particularly acute problem over the next several years as financial conditions along the waterway continued to worsen.<sup>54</sup>

On the whole, many of the contractors were financially ruined by their experiences on the canal, and few if any prospered from their connection with it. In his speech at the formal dedicatory ceremonies opening the canal to navigation at Cumberland on October 10, 1850, William Price, one of the canal company directors, best summed up the plight of the contractors as follows:

Many of us were young when this great work was commenced, and we have lived to see its completion, only because Providence has prolonged our lives until our heads are grey. During this interval of four and twenty years, we have looked with eager anxiety to the progress of the work up the valley of the Potomac. That progress has been slow—often interrupted and full of vicissitudes....Thousands have been ruined by their connection with the work, and but few in this region have had cause to bless it....

Go view those magnificent aqueducts, locks, and culverts of hewn stone...look at all these things, and then think how soon the fortunes of individuals embarked in the prosecution of such an enterprise would be swallowed up, leaving upon it but little more impression than the bubbles which now float upon its waters. It will not be deemed out of place, if I here express the hope that those, whose losses have been gains of the company, should not in the hour of its prosperity be forgotten.<sup>55</sup>

Perhaps, the major problem with which the company had to contend during the actual construction of the canal was the supply of labor. The scarcity of workers and the consequently high rate of wages threatened to upset all the calculations of the contractors. There were few laborers available in the largely agricultural valley itself, and few could be attracted to it because of the reputation of the Potomac for periodic Asiatic cholera epidemics during the hot, humid summer construction season and because of the construction of other internal improvements in the East, notable the Baltimore & Ohio Railroad and the Pennsylvania Main Line Canal. As a result of these

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<sup>53</sup> Ibid, May 25, 1831, Ltrs. Recd., C&O Co.

<sup>54</sup> Proceedings of the President and Board of Directors, A, 140, and W. Robert Leckie's notes, dated May 12, 1829, in his *Diary and Account Book, 1828–1829*, W. Robert Leckie Papers, Duke University.

<sup>55</sup> Cumberland Civilian, quoted in Report to the Stockholders on the Completion of the Chesapeake & Ohio Canal, 13–131.



recruitment problems, 2,113 men were working along the line of the canal in June 1829 while it was estimated that 6,000 were needed in order to complete the canal in the time specified in the contracts.<sup>56</sup>

As wages continued to rise from an average of \$8–\$10 per month for common labor in November 1828 to \$12–\$13 per month in July 1829, the canal directors undertook to encourage the migration of workers from all parts of the United States and from various European countries, especially Great Britain, the German states, and the Netherlands.<sup>57</sup> The experiment in using foreign laborers proved to be expensive and failed to solve the labor shortage in the long run.<sup>58</sup> Nevertheless, the use of imported laborers succeeded in temporarily stabilizing the rate of wages on the canal, as the total work force on the line rose from a low of about 1,800 in the summer months to over 3,100 by November 1829.<sup>59</sup>

Another major obstacle encountered in the construction of the canal was the high cost of land. Some of the landholders on the route over which the canal was to pass readily granted the company the title required, or at least rights to the use of the land. Many others obstructed the work and refused to surrender their property voluntarily in the hope of realizing great profits from forced sales. In his first annual report to the stockholders, on June 1, 1829, President Mercer stated:

It was very soon apparent that the expectation of large indemnities had arisen among the proprietors of the ground and materials required for the canal, with the progress of the canal itself, and the certainty of its ultimate success. Efforts had been abortively made to profit by the uncertain hopes which preceded this state of absolute assurance. It was difficult to make them, with precision, as to the ground to be surrendered, because the final location of the canal, by the Engineer charged with it, remained uncertain until the moment of contracting for its execution, and, even for some time after, so that promises, antecedently given, might be afterwards easily evaded. Some patriotic individuals, in the spirit of that provision of the charter of the company which now constitutes part of the standing law and usage of every State distinguished in the career of internal improvement, voluntarily surrendered their lands, without price, in the hope of aiding the company by the influence of their example. But the far greater number early indicated a disposition to exact prices for their property which left the President and Directors no alternative, but a resort to the process of condemnation, provided by the charter.<sup>60</sup>

The condemnation proceedings to which the canal directors resorted became more and more frequent as construction moved up the river and as speculation fever of the farmers rose.

Among those who resisted the condemnation efforts of the canal company were those who held out for the highest possible price, and those who would not sell at any price. The company records are filled with numerous instances where the land proprietors resisted the verdict of the juries, called for new trials, and attempted delaying tactics which raised their nuisance value. One such example was the lengthy negotiations and legal battle in the Montgomery County courts between the company and John P. C. Peter who owned some sixteen acres on the west side of

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<sup>56</sup> *First Annual Report* (1829), 19–20, and *Second Annual Report* (1830), 5–6.

<sup>57</sup> *First Annual Report* (1829), 21–22, and *Proceedings of the President and Board of Directors*, A, 140, 153, 309.

<sup>58</sup> *Washington Chronicle*, October 24, 1829, and Sanderlin, *The Great National Project*, 77–78. A more complete discussion of the labor force and its effect on the construction of the canal appears in Chapter VI of this Historic Resource Study.

<sup>59</sup> *Proceedings of the President and Board of Directors*, A, 353–354.

<sup>60</sup> *First Annual Report*, 9–10. See also Hurd to Mercer, January 26, 1829, *Ltrs. Recd.*, C&O Co.

Seneca Creek. Two condemnation proceedings were held, each followed by appeals and counter suits, over a 2½ year period before Peter accepted the second jury's assessment and agreed to the execution of the deed.<sup>61</sup>

Those who refused to sell at any price usually had motives in the background. For example, Charles Carroll of Carrollton, the sole surviving signer of the Declaration of Independence and one of the founders of the Baltimore & Ohio Railroad Company, brushed aside all offers for a relatively small parcel of his 10,000-acre estate in Frederick County. It was he who had laid the cornerstone of the railroad at the corner of Pratt and Amity Streets in Baltimore on the same day as the canal's groundbreaking ceremonies at Little Falls, saying: "I consider this among the most important acts of my life, second only to my signing of the Declaration of Independence, if second even to that."<sup>62</sup> He refused to accommodate the canal company, stressing the great inconveniences which his tenants would suffer during the construction operations; in return for this hardship to them, there was only the promise of increased land values for him if the canal were ever completed, a fact that he doubted.<sup>63</sup> His principal concern, however, was the struggle then taking place between the two rival transportation lines for the right of way above Point of Rocks.

The decision to extend the canal from Little Falls to Rock Creek brought on renewed difficulties with land proprietors. Georgetown merchants were reluctant to see the canal extended below its initial terminus, which was favorable to the commercial position of their town. But representatives of Washington interests maintained that the canal must terminate where shipping facilities were available and insisted that nothing less than a site in Washington, for example, the mouth of Tiber Creek, from which the city could construct a cross-town canal to the Eastern Branch, would be acceptable.<sup>64</sup>

Washington exerted great influence on the canal board by threatening to withhold payment on its \$1,000,000 subscription to the company stock and by enlisting the support of Secretary of the Treasury Richard Rush. In the face of this overwhelming pressure, President Mercer and the stockholders agreed to Washington's demands at a general meeting on September 17, 1828.<sup>65</sup> While the canal company averted potential financial disaster by acceding to the demands of Washington, it also stirred the resentment of Georgetown business interests<sup>66</sup> because the new terminus paved the way for branch canals to Alexandria and Washington, their neighboring rivals for the commerce of the Potomac Valley.

The Merchants also dislike giving up what was and what promised to be valuable property in Georgetown. They were not satisfied that what they received then was a fair price in terms of the value the property might have if the town experienced the growth they anticipated. Thus, the awards for damages ran very high, and the company became embroiled in disputes with many of its early stockholders and supporters in Georgetown, including John Mason who had been an early advocate of the canal at the Chesapeake & Ohio Canal Conventions; Francis Scott Key, who

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<sup>61</sup> Reference Book Concerning Land Titles, 1829–68, C&O Co.

<sup>62</sup> Edward Hungerford, *The Story of the Baltimore & Ohio Railroad* (2 vols, New York, 1928), I, 44.

<sup>63</sup> Carroll to Mercer, February 26, 1829, Ltrs. Recd., C&O Co.

<sup>64</sup> Washington National Intelligencer, September 10, 1828.

<sup>65</sup> Proceedings of the President and Directors of the Chesapeake & Ohio Canal Company, and of the Corporations of Washington, Georgetown, and Alexandria, in Relation to the Location of the Eastern Termination of the Chesapeake & Ohio Canal (Washington, 1828), 1–31. Following the meeting, Mercer sought the counsel of Attorney General William Wirt whether the company charter permitted the extension of the canal. On October 9, 1828, Wirt replied that the legislative acts of Virginia, Maryland, and the United States were vague on this point. However, since all the acts specified that the canal was to terminate at tidewater in the District of Columbia, it was his opinion that the company could locate the termination of the waterway anywhere in the District. *First Annual Report* (1829), Appendix, XXXVI–XL.

<sup>66</sup> Ordinances of the Corporation of Georgetown (Georgetown, 1830), 5

had attended the second convention and later rendered legal assistance to the company during the initial stages of its legal controversy with the railroad; and Walter Smith who served as one of the first directors of the company.<sup>67</sup>

The canal board made several significant decisions during the first year of construction that increased the expenditures of the canal company beyond the original estimates. Although the 1826 canal convention and the company's charter called for a canal of 40 feet wide at the surface, 28 feet wide at the bottom, and 4 feet deep, the U.S. Board of Engineers had recommended a waterway having the dimensions of 48, 33, and 5 feet respectively. However, when Geddes and Roberts reported that a canal 60 feet wide at the surface, 48 feet wide at the bottom, and 6 feet deep could be built for less than \$5,000,000, the canal board decided to adopt the larger dimensions for the canal between Georgetown and Harpers Ferry because of the increased advantages attainable at what was projected as little additional cost. The greater size would give the canal a cross section of 306 square feet and a prism of 59,840 cubic yards as compared with 136 square feet and 25,595  $\frac{5}{9}$  cubic yards on the New York, Pennsylvania, and Ohio canals whose general dimensions were 40 feet wide at the surface, 28 feet wide at the bottom, and 4 feet deep.<sup>68</sup>

It was estimated that the increased prism would reduce water resistance to the equivalent of unimpeded sea navigation, and it was believed that much of the masonry would, the most expensive part of the construction, would be unaffected by the increase in size. On some sections, such as the Georgetown level, the larger dimensions would pay for themselves through the greater quantity of water which would be available for sale. The latter was dubious argument for the company did not have the right to sell water, and there was some doubt that the legislature would agree to it as a sizable block of Maryland citizens opposed the granting of such a privilege.<sup>69</sup>

To men who were fully convinced of the practicability and certain success of this national project, these supposed advantages far outweighed the increased cost of construction with Geddes and Roberts had estimated as \$2,523.92 per mile and which ultimately more than doubled during the construction period.<sup>70</sup> It is interesting to note that by June 1830 when the rising cost of actual construction was beginning to surmount all of the original estimates, the board defended its initial enthusiasm for an enlarged canal by stating:

If, in its plan, the Board have erred, it has arisen from their inability to forget, that a work destined to be the great central thoroughfare of so many States, and the firmest bond of their happy union, should be commensurate with its great end, and fulfill the wishes of the Government, Cities, and People, who have impressed upon it this high character.<sup>71</sup>

Another factor which increased the cost of building the canal was the directors' decision to purchase the strip of land between the canal and the river. The directors were obsessed with the idea of eliminating the construction of bridges over the canal, because the structures would obstruct the navigation of steamboats which the board hoped to introduce and their construction would

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<sup>67</sup> Proceedings of the President and Board of Directors A, 59, 167, 182; and *Second Annual Report*, 11. For further information relative to the legal disputes between the canal company and these men, see *Chesapeake & Ohio Canal Company vs. Key*, U.S. Reports, 3 Cranch C.C. 599; *Chesapeake & Ohio Canal Company vs. Mason*, *ibid*, 4 Cranch C. C. 123; and *Chesapeake & Ohio Canal Company vs. Union Bank*, *Ibid*, 4 Cranch C. C. 75, 5 Cranch C.C. 509.

<sup>68</sup> First Annual Report, 9

<sup>69</sup> *Ibid*.

<sup>70</sup> *Ibid*, 8–15.

<sup>71</sup> *Second Annual Report*, 7.

cost more than the land was worth at any fair estimate of its value.<sup>72</sup> According to the company surveys, the entire quantity of land between the canal and the river from Georgetown to Point of Rocks did not exceed 1,300 acres of which more than 500 were reportedly inarable.<sup>73</sup> The acquisition of this land was not strictly within the terms of the charter which allowed the condemnation of private property for canal purposes only, and the attempts to purchase this land led to further costly and lengthy legal battle.

The cumulative effect of greater allowances to contractors, increased labor costs, and higher land payments led the canal company to the end of its financial resources. The company had begun its operations with a subscribed capital of \$3,608,400, a total nearly \$900,000 less than the estimated cost of \$4,479,346.93 for the eastern section by Geddes and Roberts. The canal board and the stockholders felt secure nevertheless in commencing work with the available resources, confidently expecting further aid from Congress and from the interested states, especially Virginia which had as yet made no subscription. However, their optimistic expectations for more subscriptions were not forthcoming at this time from either public or private sources. Appeals to Congress and the legislatures of Maryland, Virginia and Pennsylvania proved futile, the most devastating blow to the company's finances occurring in Virginia where the Assembly failed to enact a measure subscribing \$400,000 to the enterprise.<sup>74</sup> Thus, the canal company had to rely upon its existing resources for the prosecution of its work.

From the very beginning the directors encountered difficulties in securing the payment of the calls on the subscribed capital. Maryland insisted on paying part of its share in state bonds, a policy that the board was forced to accept because the railroad company had already agreed to it and because it was necessary to placate the canal's enemies in the state legislature. The company had so little success in selling the bonds that it resorted to hypothecations, or pledges of personal property as collateral security, in order to obtain loans from the local banks.<sup>75</sup>

The debt-ridden cities of the District of Columbia ran into trouble making payments on their subscriptions. Prior to their subscriptions to the canal company, the total indebtedness of the towns had been: Washington, \$361,826; Georgetown, \$155,149; and Alexandria, \$277,776.<sup>76</sup> To this had been added \$1,000,000, \$250,000, and \$250,000 respectively. To secure funds to meet the calls on the canal stock, the local authorities in April 1829 appointed ex-Secretary of the Treasury Richard Rush to act as the agent of the district cities to negotiate a loan in Europe.<sup>77</sup> After failing to secure a loan through the Barings and Rothschilds in London, Rush succeeded in obtaining the loan of \$1,500,000 through the Dutch banking company of Daniel Crommelin & Sons in Amsterdam in November, 1829.<sup>78</sup> The terms of the loan were as follows:

<sup>72</sup> Mercer to Lee, January 17, 1829, Ltrs. Sent, C&O Co., and *Second Annual Report*, 11.

<sup>73</sup> *First Annual Report*, 15–16.

<sup>74</sup> U.S., Congress, House, Committee on Roads and Canals, Memorial of the Chesapeake & Ohio Canal Company, H.Doc. 12, 20<sup>th</sup> Cong., 2d sess., 1828, 108; *ibid*, Memorial of the Chesapeake & Ohio Canal Company, HY.Doc. 73, 20<sup>th</sup> Cong., 2d sess., 1829, 1–6; *ibid*, Committee on Internal Improvements, Memorial of the President and Directors of the Chesapeake & Ohio Canal Company, H.Doc. 53, 21<sup>st</sup> Congress, 2d sess., 1830, 1–10; Memorial from the Chesapeake & Ohio Canal Company to the Maryland Legislature (Annapolis, 1830); and *First Annual Report* (1829), 19.

<sup>75</sup> Kent to Mercer, October 4, 1828, and Smith to Ingle, January 4, 1831, Ltrs. Recd., C&O Co., and Proceedings of the President and Board of Directors, A, 373, 377–378.

<sup>76</sup> Wilhelmus B. Bryan, *A History of the National Capital* (1 vols., New York, 1916), II, 111.

<sup>77</sup> Gales, Cox, and Mason to Ingham, April 1829, in Washington, D.C., Georgetown, and Alexandria Collection, Holland Loan, Library of Congress, and *Remarks on the Loan of a Million and a Half of Dollars, Proposed to be Raised by the City of Washington and the Towns of Georgetown and Alexandria, under an Act of the Congress of the United States* (London, 1829), 1–45.

<sup>78</sup> Niles' Register, XXXVII (October 3, 1829, January 23, 1830) 83, 360.

The said three thousand seven hundred and fifty bonds shall bear a fixed interest of five per cent per annum, upon their nominal capital of thousand guilders, Netherland currency each; the said interest will be payable in Amsterdam, at the counting house of the last underwritten, or of their successors, from six months to six months, say on the first January and the first July of each year; and when the said bonds therefore will be issued, there ill be added to them a set of half-yearly dividend warrants, each of twenty-five guilders, Netherland currency, payable in succession at the counting house of the last underwritten or of their cashiers, and the first of which dividend warrants will be payable first January, eighteen hundred thirty-one.<sup>79</sup>

During the early years of construction, the canal company also had the usual trouble with delinquent private stockholders and was forced to resort to threats and legal suits to obtain satisfaction.<sup>80</sup> By June 1832, the canal board had issued calls for the payment of nearly sixty per cent of its capital stock, a fact which clearly demonstrated the potential financial difficulties of the company since the only portion of the waterway that had been completed and opened for navigation was the 22-mile section from Georgetown to Seneca.<sup>81</sup>

As early as June 1829, the company officials realized that the higher costs would jeopardize the completion of the canal. This growing awareness was increasingly felt with the continuing difficulties in obtaining any new stock subscriptions. To offset this danger, the company hired Richard Rush, who was about to leave for London on behalf of the District cities, as its agent to open books in Europe to receive subscriptions up to \$6,000,000 for the eastern section and \$10,000,000 for the entire canal, but the attempt proved to be discouraging as no large subscriptions were forthcoming.<sup>82</sup>

As the railroad injunction continued in effect, the expense of a large engineering staff became a great burden on the company's financial condition. Accordingly the board released engineers as soon as they found positions elsewhere, reduced salaries, and eliminated some positions. The number of resident engineers was reduced from five to four in September 1829 and later to two in August 1830.<sup>83</sup> When Chief Engineer Wright resigned his position with the canal company in the fall of 1830, the canal directors abolished the position of Chief Engineer, noting that there was little need to employ a person in that position with construction prevented above Point of Rocks.<sup>84</sup> On April 1, 1831, after Nathan S. Roberts requested a leave of absence to return to his New York Home to regain his failing health, the board terminated his employment with the company and abolished his position for similar reasons.<sup>85</sup>

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<sup>79</sup> *Letter and Accompanying Documents from the Hon. Richard Rush to Joseph Gales, Esq., Mayor of the City of Washington; Respecting the Loan of a Million and a Half Dollars, Negotiated by the Former, In Europe, for the said City and the Towns of Georgetown and Alexandria, under the Authority of an Act of Congress of the United States, Passed on the 24<sup>th</sup> of May, 1828* (Washington, 1830), 151.

<sup>80</sup> Proceedings of the President and Board of Directors, B, 291.

<sup>81</sup> Ringgold to Ingle, June 18, 1832, Ltrs. Recd., C&O Co., and *Washington National Intelligencer*, June 29, 1830.

<sup>82</sup> Sanderlin, *The Great National Project*, 82.

<sup>83</sup> Proceedings of the President and Board of Directors, A, 363, B, 173–174.

<sup>84</sup> *Ibid*, B, 172–173.

<sup>85</sup> *Ibid*, B. 295.

While not yet desperate, the financial condition of the company was rapidly deteriorating by 1832, a condition that was making some of its uneasy stockholders openly critical of company policies and forcing the canal directors to consider new initiatives to attract additional capital.<sup>86</sup>

The greatest deterrent to the westward progress of the canal after 1828 was the existence of a series of injunctions prohibiting the extension of the waterway above Point of Rocks. These injunctions were in turn the cause of a protracted and costly legal struggle between the canal company and the railroad company which ultimately increased the cost of constructing the waterway and further burdened the deteriorating financial condition of the Chesapeake & Ohio. The question involved in the cases was a dispute over the right of prior location of the respective transportation projects in the Potomac Valley, a matter that was not fully settled until early 1832 by the Maryland Court of Appeals.<sup>87</sup>

The legal controversy between the rival internal improvement companies was the culmination of a clash of commercial interests that had been developing since the early 1820s between the businessmen of Baltimore and those of Washington, Georgetown, and Alexandria. The Baltimore interests, originally active in support of the canal, lost their enthusiasm for the project as it became apparent that the canal, if built, would favor the development of the three District cities and as it became doubtful that the canal could be tapped far enough up the valley to allow Baltimore to share in its trade. Therefore, the Baltimore merchants adopted the proposal of building a railroad in February 1827 so that their city could compete with the commercial centers of New York and Philadelphia which were fed by the Erie and the Pennsylvania Main Line canals, respectively. On February 28, 1827, the charter of the railroad company was enacted into law, and after receiving stock subscriptions totaling \$4,000,000, in just a few weeks, the company was organized on April 24.<sup>88</sup>

Both enterprises ultimately chose the Potomac Valley as the route of their respective works. While the canal company was still struggling to get organized in the late spring of 1828, the Baltimore & Ohio sent surveyors ahead to locate its line and secure land waivers, especially in the narrow passes of the valley at which a conflict with the canal might be expected.<sup>89</sup> To stop this usurpation of their rights, canal company stockholders applied to the Washington Country Court on June 10, 1828, and Judge Thomas Buchanan granted a preliminary injunction, prohibiting the railroad from acquiring land or rights of way along the projected route of the canal above Point of Rocks where it entered the valley.<sup>90</sup>

The railroad company countered with three injunctions against the canal which it obtained from Maryland Chancellor Theodorick Bland of the Court of Chancery at Annapolis on June 23, 24, and 25. The first enjoined interference with contract rights acquired by the railroad from local landowners; the second enjoined interference with condemnation proceedings; the third protected such additional rights as the railroad had acquired by being the first to physically locate its projected route on the ground.<sup>91</sup>

The canal company protested to the Chancellor in a lengthy brief filed on May 16, 1829, that the conduct of the Baltimore & Ohio was an infringement on the canal's chartered rights and

<sup>86</sup> *A Candid Appeal to the Stockholders of the Chesapeake & Ohio Canal Company* (Washington, 1832), 1–5.

<sup>87</sup> Sanderlin, *The Great National Project*, 83.

<sup>88</sup> John E. Semmes, *John H.B. Latrobe and his Times: 1803–1891* (Baltimore, 1917), 321–322; Hungerford, *Story of the Baltimore & Ohio Railroad*, I, 18–27; and Elihu S. Riley, *A History of the General Assembly of Maryland, 1635–1904* (Baltimore, 1905) 334

<sup>89</sup> Second Annual Report of the Baltimore & Ohio Railroad Company (1828), Appendix, 3–4.

<sup>90</sup> Gill and Johnson, Reports, IV, 36, and *Second Annual Report* (1830) 9.

<sup>91</sup> H.H. Walker Lewis, “The Great Case of the Canal vs. the Railroad”, *Maryland Law Review*, XIX (winter, 1959), 11, and Gill and Johnson, Reports, IV, 13–16.

that the railroad officials had given the impression that their work would avoid the circuitous Potomac route for a more direct northwesterly course “straight across the mountains by means of inclined planes and stationary engines to Pittsburgh.”<sup>92</sup>

The legal question involved was whether the Potomac Company’s rights inherited by the Chesapeake & Ohio were still valid or whether the Baltimore & Ohio had acquired them by virtue of its charter from the State of Maryland the first exercise of the rights of location. The real issue, however, was the political-economic one between the City of Baltimore and the District of Columbia’s three cities.<sup>93</sup>

The rivalry for the trade of the Potomac Valley was perhaps summed up best in a caustic speech by Representative George E. Mitchell, a railroad supporter from Cecil County, Maryland, on the House floor on February 26, 1829:

I do not include in this estimate the cost of the Chesapeake & Ohio Canal. This, if it benefits any, will benefit more particularly the non-slaveholding states of the west. For us, it might as well be in china. The engineers of the United States have estimated the cost of this work at twenty-two million, five hundred thousand dollars. Whence is this sum to come? From the Chesapeake & Ohio Canal Company? Who does not know that Washington, Georgetown, and Alexandria are bankrupt? That the two last exhibit marks of decay? Who does not know that the company cannot sustain the expenditure, and that the burden must fall on the treasury of the United States? And that the states who can derive no early benefit from it will have to contribute most? Besides natural obstacles, almost insuperable, this canal, if ever completed, will have to contend against the competition of the Baltimore rail road—planned, and to be managed, by a company of individuals as distinguished for their activity, as for their capital—who have entered on their great work with the zeal which characterized the people of Baltimore—and who will have completed the road, and have it in full operation, pouring into their city the rich superabundance of the west, before this canal reaches the eastern base of the Alleghany. May success attend their undertaking.<sup>94</sup>

Throughout the legal struggle, the Baltimore & Ohio fought a delaying action in the courts, while its influence, and that of the city of Baltimore, had its effect in the Maryland General Assembly and in Congress. The Maryland legislature quickly became hostile to the canal company’s claims, choosing to look upon the railroad as a purely Maryland project deserving of the state’s protection.<sup>95</sup>

In Congress the influence of the canal company through its president, Charles F. Mercer, who doubled as the chairman of the House committee on Roads and Canals, was checked by numerous petitions by the railroad and by the hostility of the Jacksonian Democrats to federally

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<sup>92</sup> Gill and Johnson, Reports, IV, 32-33, 47; and U.S., Congress, House, Memorial of the Chesapeake & Ohio Canal Company, H. Doc. 127, 20<sup>th</sup> Cong., 2d sess., 1829, 3

<sup>93</sup> The course of the controversy can be followed best in the series of letters apparently taken from the canal company’s files for the purpose of publication in *Correspondence between the Chesapeake & Ohio Railroad Company, In Relation to the Disputes between those Companies Concerning the Right of Way for their Respective Works along the Potomac River* (Baltimore, 1830), 1–80.

<sup>94</sup> *Niles’ Register*, XXSXVI (March 21, 1829), 53.

<sup>95</sup> Lee to Mercer, February 15, 1829, and Ingle to Mercer, February 2, 1831, Ltrs. Recd., C&O Co., and *Report from the President of the Chesapeake & Ohio Canal Company to the Legislature of Maryland* (Annapolis, 1831), 1–24.

sponsored internal improvements.<sup>96</sup> At the insistence of the railroad that both works be considered experiments until their relative merits had been tested, both companies became involved in periodically submitting lengthy reports concerning the historical advantages of railroads and canals in Europe and the United States.<sup>97</sup>

In the meantime, the Baltimore & Ohio was constructing its road from Baltimore to Frederick and then south to Point of Rocks. While its resources were limited, it had an obvious advantage in that its road began operating as soon as it was completed.<sup>98</sup> As the Court of Chancery showed little inclination of handing down an early verdict, the canal board soon became restless. The company had ample resources to undertake a large part of its intended work, and it was desirous of taking advantage of the relatively low prices for which the first contracts had been let.<sup>99</sup> In addition, the line of the canal above Seneca Falls feeder was useless until the next feeder was reached at Harper's Ferry.<sup>100</sup> Added to this difficulty was the charter requirement that one hundred miles of the canal must be completed in five years.<sup>101</sup>

Eventually the delay itself began to be costly, for after the canal was completed between tidewater at Georgetown and Seneca in the spring of 1831, the large staff of engineers represented a financial burden while construction came to a virtual halt. The aforementioned employment terminations of Chief Engineer Wright and Engineer Roberts and the subsequent elimination of their positions resulted in part from the construction delays caused by the legal battle with the railroad.<sup>102</sup> Moreover in a period of rising costs for labor, materials, and land acquisition, every delay in construction meant increased costs when work would resume.

The court battle followed a lackadaisical course as both companies turned to the Court of Chancery to adjudicate their rival claims. After receiving supplemental written arguments on behalf of the canal by former Attorney General William Wirt and on behalf of the railroad by John H.B. Latrobe, Roger Brook Taney, and Reverdy Johnson, a recognized leader of the Maryland Bar, during the summer of 1829, Chancellor Bland refused the canal company's motion to dissolve the injunctions against it on September 24.<sup>103</sup> Denying that there was any inconsistency between this proceeding and the prior suit in the Washington County Court, he observed that the earlier case involved the assertion by the canal company of a general right of priority whereas the railroad was merely seeking to preserve the status quo with respect to specific contract and other rights. Since both companies were authorized to acquire land for their corporate purposes, he felt

<sup>96</sup> Proceedings of the President and Board of Directors, B, 78 ff., and *Niles' Register*, XXXVIII (March 13, 1830) 62–63.

<sup>97</sup> *Report from the President of the Chesapeake & Ohio Canal Company to the Legislature of Maryland*, V–VIII, and House Report 414, 244–247.

<sup>98</sup> Sanderlin, *The Great National Project*, 85.

<sup>99</sup> Proceedings of Stockholders, A, 21.

<sup>100</sup> *Second Annual Report* (1830), 6.

<sup>101</sup> Act of Congress, Senate Document 610, 13.

<sup>102</sup> Proceedings of the President and Board of Directors, B, 171–174, 259.

<sup>103</sup> On November 22, 1828, the canal board had authorized President Mercer to employ William Wirt, the Attorney General of the United States, as an attorney for the canal company to assist Walter Jones in conducting the legal case with the railroad. See: Proceedings of the President and Board of Directors, A, 117. Although Wirt played a major role in the legal battle between the railroad and the canal, his personal papers, located at the Maryland Historical Society in Baltimore and in the Manuscript Collections of the Library of Congress, offer little substantive material relative to his participation. The great majority of his papers consist of correspondence with his wife, his children, and other relatives. While the letters give glimpses into the everyday workings of government and court life, the information generally tends to be peripheral to the major issues with which he was involved. Wirt resigned his position as Attorney General when Andrew Jackson became President in 1829, at which time he moved to Baltimore to open a private law practice. See: William Wirt, *Augments Delivered at Annapolis* (Washington, 1830), 3–206.



that the race should go to the diligent by stating: "Where two or more are allowed, by law, to purchase and acquire a title to lands...he who does the first requisite act for that purpose, shall not be hindered in his further progress...."<sup>104</sup>

Commissions to take evidence were issued to determine on the ground which company was entitled to priority and the extent to which it could proceed without interference with the other. The last of the commissions to take evidence was returned on May 27, 1831, at which point the canal company refused to spend further money and time in conducting the tedious evidentiary surveys and threatened to proceed with its own construction above Point of Rocks. The Chancellor eventually determined that enough ground had been covered (in fact only the 12-mile stretch between Point of Rocks and Harpers Ferry had been surveyed for the commissions),<sup>105</sup> AND ON November 9 the injunctions against the canal were made perpetual. Furthermore it was required to pay the costs of the suit, including the expenses of the additional surveys ordered by the Chancery Court. In making his decision, the Chancellor took the dubious position that this was not the proper time to consider the question of prior right.<sup>106</sup>

Arguing that the continued existence of the canal company was at stake, Walter Jones on December 7 applied to the Maryland Court of Appeals on behalf of the canal board to advance their appeal of the Chancellor's decision and hear it out of turn. The railroad opposed this move, stating that its senior counsel, Roger Brooke Taney, had recently been appointed U.S. Attorney General and would be unable to participate on such short notice. However, the canal company countered these objections by replying that its senior counsel, William Wirt, would also miss the trial because of a recent illness.<sup>107</sup>

On December 10, the Court of Appeals advanced the case and set it for argument on December 19, later changing it to December 26. The case was argued before the Court from December 26, 1831, through January 2, 1832. The canal company was represented by Walter Jones and Alexander C. Magruder, later a judge of the Court, while the railroad was represented by Reverdy Johnson and the venerable Massachusetts Senator Daniel Webster. Despite the absence of one of its members, the Court rendered its decision on January 4, reversing the decision of the Chancellor and confirming the canal company in its claim to the right of prior location by a vote of 3 to 2.<sup>108</sup>

In his opinion Chief Judge John Buchanan, who had presided over the original litigation in the Washington County Court when doing circuit duty, spoke for the majority that the canal company had the right of prior location because (1) the Potomac Company was entitled to priority and the Chesapeake & Ohio had succeeded to its rights and (2) the legislation chartering the canal company constituted a compact which would be impaired by the granting of any inconsistent rights to the railroad. Basing his reasoning on an 1819 Supreme Court decision by Chief Justice John Marshall declaring the sanctity of contract under the U.S. Constitution, he stated:

And its charter, according to the decision of the Supreme Court in the case of the Trustees of Dartmouth College vs. Woodward, 4<sup>th</sup> Wheaton 518, being a contract between the states of Maryland, Virginia, and the Potomac Company, the obligation of which could not, without the assent of the corporation, be impaired, by any act of the legislature of ei-

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<sup>104</sup> Gill and Johnson, Reports, IV, 54.

<sup>105</sup> *A Complete Set of Maps, Drawings, and Tabular Statements, Relating to the Locations of the Canal and Railroad, from the Point of Rocks to Harper's Ferry* (Georgetown, 1830), 1–56.

<sup>106</sup> Gill and Johnson, Reports, IV, 71.

<sup>107</sup> Jones to Mercer, December 2, 1831, and Wirt to Mercer, December 25, 1831, Ltrs. Recd., C&O Co.; and Magruder to Wirt, December 10, 1831, and Mercer to Ingle, January, 1833, Ltrs. Sent, C&O Co.

<sup>108</sup> Niles' Register, XLII (august 11, 1832), 219; Proceedings of the President and Board of Directors, C, 48; and Proceedings of Stockholders, A, 196.

ther of the States, nor the concurrent acts of both, consistently with the constitution of the United States, declaring that, no State shall pass any law impairing the obligation of contract, the charter of the Rail Road company, could not, without impairing the obligation of that contract, abolish, take away, or diminish the prior and paramount right of the Potomac Company, to select and appropriate by purchase or condemnation, and lands in the valley of the Potomac, for the route and site of a canal or canals, wherever it should think proper, along the borders of the river, either in terms, or by any construction of it, that would have authorized the Rail Road Company, to occupy any of the difficult passes, or other places along the river, for the route and site of the road, in such a manner, as either to exclude that company from a priority in the choice of a site or sites for the construction of the works authorized by its charter, or in any manner to restrict and circumscribe it, in the exercise of its prior right of election. But such an occupation of the Rail Road Company of the valley of the Potomac, would have been a violation of the vested corporate rights and privileges of the Potomac Company, and the charter of the Rail Road Company, in so far as it purports to be, or may be construed in derogation of those rights and privileges, is repugnant to the constitution of the United States, and void; there being no difference in principle, between a law, that in terms impairs the obligation of a contract, and one that produces the same effect, in the construction and practical execution of it....<sup>109</sup>

The successful termination of the controversy enabled the Chesapeake & Ohio Canal Company to resume construction of its waterway between Seneca and Point of Rocks and to place under contract the work above the latter village. The directors wasted little time in following up their advantage and placing the entire 100 miles under contract. It was now a two-fold race as the five years allowed by the charter for the construction of the first 100 miles would expire in 1833 and the exhaustion of the company's immediate financial resources was on the horizon. Within two months the 12-mile section of the canal between Point of Rocks and Harpers Ferry was let for contract, and during the spring and summer months canal officials let contracts to complete, with slackwater navigation at several points, approximately 117 miles of the canal all the way to Dam No. 5.<sup>110</sup>

To convince those who were skeptical of its assertion that it had sufficient funds to complete the contract, the canal board commissioned a comprehensive review of its financial condition. On December 15, 1832, President Mercer issued a published report indicating that the total amount of available company resources amounted to \$60,419.16 in cash, \$1,233,393.25 in uncollected stock, and \$31,500.00 in estimated tolls for the approaching boating season, making a total of \$1,325,812.41. According to the company estimates, it would cost \$341,998.47 to complete the canal below Harpers Ferry, and \$925,645.75 to finish it from Harpers Ferry to Dam No. 5. Added to these outlays, was the sum of \$20,000 to operate the company during the coming year, thus making the total expenditures of the company to be \$1, 287,644.22. By these projections, the company would have a surplus of \$38,168.19 when the canal was finished to Dam No. 5. Admittedly, this was a thin margin of capital, but Mercer was optimistic that this amount would be augmented by additional grants from the interested states, higher toll collections once the canal

<sup>109</sup> Gill and Johnson, Reports, IV, 108–110. The full text of the opinions rendered in the case may be found in *ibid*, IV, 71–164, 164–226.

<sup>110</sup> Fourth Annual Report (1832), C&O Co., 5–8.

was opened to navigation for the 117 miles, and income from the sale of water power to manufacturers along the canal.<sup>111</sup>

At the same time, the indication of approaching financial duress was manifested in the revival of the proposal to substitute slackwater for canal navigation. Simultaneously with the aforementioned report, Mercer also submitted a study recommending the construction of a series of three dams and three canals, together with 20 miles of slackwater navigation, between Dam 5 and a point nine miles above Cumberland. According to the estimates of the company engineers, this plan would reduce the cost of the eastern section by over \$500,000.<sup>112</sup>

The resumption of construction brought a renewal of the grievances of earlier years. Masonry work fell far behind schedule as the problem of stone and cement supplies reappeared, and there were more reports of absconding contractors.<sup>113</sup> Most serious of all, land costs continued high as the canal entered Washington County. The first land condemned was that of a bitter canal opponent, Gerard B. Wager, to whom very high damages were awarded thereby providing a discouraging precedent.<sup>114</sup>

The determination of the local land proprietors to extract maximum profits from the canal company was further intensified by the high award in the condemnation of Casper Wever's land. Wever, a civil engineer and an official of the Baltimore & Ohio Railroad, had purchased a 500-acre tract of land in the vicinity of present-day Weverton for the purpose of building a manufacturing town.<sup>115</sup> During the court proceedings, Wever traveled to Annapolis to obtain an injunction from Chancellor Bland to prevent construction of the canal on his land until he received full payment.<sup>116</sup>

After some of the landowners resorted to injunctions to enforce prompt payment of their awards, the board announced its intention to advertise the renewal of negotiations with Virginia landholders to shift the canal to the south side of the Potomac, but the notice failed to have any appreciable effect.<sup>117</sup>

The Baltimore & Ohio Railroad continued in active opposition to its arch rival, maintaining its agitation in the Maryland legislature and conducting a nuisance campaign in the Potomac Valley to hinder the progress of the canal. The purpose of this agitation was to stir up popular pressure to force joint construction of the two transportation systems.<sup>118</sup>

On top of the renewed construction difficulties, high land costs, and conflicts with the railroad, there was the disastrous epidemic of Asiatic cholera in the Potomac Valley during the summer of 1832.<sup>119</sup> The canal project had been plagued from its inception by the annual "sickly"

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<sup>111</sup> Two Reports of the President to the Directors of the Chesapeake & Ohio Canal Company, *On the Present State of the Finances of the Company*, and *An Extension of the Navigation of the Potomac to a Point Nine Miles Above the Town of Cumberland, On a Plan Consistent with the Present Charter* (Washington, 1832), 3–8.

<sup>112</sup> Ibid, 8–12.

<sup>113</sup> McFarland to Mercer, November 5, 1832, and Purcell to President and Directors, August 24, 1833, Ltrs. Recd., C&O Co.

<sup>114</sup> Cruger to President and Director, August 3, 1832, and Mercer to Ingle, August 8, 1832, Ltrs. Recd., C&O Co.

<sup>115</sup> John Thomas Scharf, *History of Western Maryland* (2 vols., Philadelphia, 1882), II, 1285.

<sup>116</sup> Price to Ingle, August 25, 1832, and Price to Mercer, November 4, 1832, Ltrs. Recd., C&O Co.

<sup>117</sup> Price to Ingle, August 25, 1832, November 8, 1833, and June 10, 1834, Ltrs. Recd., C&O Co.

<sup>118</sup> Sanderlin, *The Great National Project*, 92–93, and *Proceedings of the President and Directors of the Chesapeake & Ohio Canal Company, on the Proposition of the Baltimore & Ohio Railroad Company, of the 19<sup>th</sup> day of January, 1832, for the Joint Construction of the Canal and Railroad....* (Washington, 1832), 1–34.

<sup>119</sup> *Niles' Register*, XLIII (September 22, 1832), 52.

season in the Potomac Valley causing the exodus of company officials, contractors, and laborers, but the 1832 epidemic proved to be the most devastating to occur during the construction period.<sup>120</sup> The epidemic spread along the entire line of construction from Point of Rocks to Williamsport causing immense suffering as described in the following account:

As many as six persons are said to have been lying dead, at one time, in a single shantee, —while in others the dead and dying were mixed in awful confusion. Many had abandoned their employments and fled—and some of these were attacked on the roads, and died in the fence corners! The habits and exposures of these poor people fit them for the reception of the cholera, and their accommodations for the sick are wretched and scanty, indeed—for they are crowded in temporary sheds, and badly supplied even with the most common necessities of life....<sup>121</sup>

Thus, the summer of 1832, the first one in which unrestricted construction was possible, witnessed a virtual suspension of work along the canal, and the opportunity to complete the first 100 miles of the waterway by 1833 was gone. In fact so little progress was made on the canal that not even the twelve miles between Point of Rocks and Harpers Ferry were finished in 1832.

With the coming of cooler weather in autumn, work slowly resumed on the canal, but the harm had been done. As a result of the many hindrances to construction the cost of the work had risen sharply, and the westward progress of the canal had virtually halted. By the latter part of 1832, the canal company was experiencing its first financial crisis. While it still possessed adequate resources on paper, it was having difficulty in securing the payment of its calls and consequently was becoming hard pressed for funds to push the construction. In June, President Mercer had sought unsuccessfully to obtain a \$300,000 loan based on the pledge of company property.<sup>122</sup>

In October and November he made futile efforts to secure loans from private banks in Washington, New York, and Philadelphia on the pledge of Washington and Georgetown stock. Concurrently, the board asked the Pennsylvania, Virginia, and Maryland legislatures for additional subscriptions, but the requests were rejected.<sup>123</sup> Pennsylvania had shown initial interest only in the western section of the canal and was now completing its own extensive system of public works.<sup>124</sup> Virginia had failed to make any subscription to the Chesapeake & Ohio, principally because the canal was being built on the Maryland side of the Potomac and Virginia interests saw little advantage in supporting a transportation system that would render the commercial advantages of the Potomac trade on Washington and Georgetown. Furthermore, she was preparing to construct her own system of internal improvements connecting the Chesapeake Bay and the Ohio River via the James and Kanawha Rivers.<sup>125</sup>

To add to the financial woes of the company, simultaneous notices arrived in November 1832 from the Mayor of Washington indicating the city's inability to meet the twenty-ninth installment, and from the Secretary of the Treasury refusing to make further payments for the United States until the District cities caught up with their payments. The canal board prepared to suspend operations above Harpers Ferry when Washington defaulted.<sup>126</sup>

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<sup>120</sup> House Report 414,237.

<sup>121</sup> Ibid, XLIII (September 15, 1832), 44

<sup>122</sup> Proceedings of the President and Board of Directors, C, 174.

<sup>123</sup> Proceedings of the President and Board of Directors, C, 174, 240, 243–244; and Mercer to Ingle, October 8, 25, 26, 31, 1833, Ltrs. Recd., C&O Co.

<sup>124</sup> *Niles' Register*, XL (April 9, 1831), 91.

<sup>125</sup> Wayland Fuller Dunaway, *History of the James River and Kanawha Company* (New York, 1922), 48–49, 123–162, 226–240.

<sup>126</sup> Proceedings of the President and Board of Directors, C, 236–237, 290

The canal company turned to the Maryland legislature for an extension of its charter and further large-scale aid. The general Assembly was decidedly hostile to the canal's petitions, and responded with a memorial to the canal company requesting joint construction of the two works to Harpers Ferry as a favor to the State, a policy that the railroad had recommended since its defeat in the Court of Appeals.<sup>127</sup> After a lengthy battle of proposals and counter-proposals over this issue, the Governor suggested that the state might force the canal to accommodate the railroad by withholding further financial aid.<sup>128</sup> A Senate committee responded with a report recommending the refusal of an extension of the charter and stating that they regarded the railroad "as decidedly and unqualifiedly a Maryland work" and that they did "not regard the canal in this light."<sup>129</sup>

The last source of aid still available for the canal Company was congress, but the prospects of assistance from the federal government were slight after the emergence of the Jacksonian Democrats in 1828. The early record of the administration clearly indicated its hostility toward federal support for internal improvements in general and for the Chesapeake & Ohio in particular. When he vetoed the Maysville Road Bill in May 1830, Jackson not only negated the proposed highway from Maysville to Lexington in Kentucky because it was an intrastate project, but he also challenged the principle that internal improvements were a federal responsibility. "If it be the wish of the people that the construction of roads and canals should be conducted by the Federal Government," he wrote, "it is not only highly expedient, but indispensably necessary, that a previous amendment to the Constitution, delegating the necessary power and defining and restricting its exercise with reference to the sovereignty of the States, should be made."<sup>130</sup>

An analysis of the position of the Chesapeake & Ohio Canal indicates that it failed to meet either of the criteria set down by Jackson for internal improvements deserving of federal support. While it originally had been projected as a great national project to connect tidewater on the Potomac with Pittsburgh on the Ohio, it was becoming more obvious with each passing day that the canal would do well to reach Cumberland, thus remaining an intrastate project tapping the largely agricultural Potomac Valley trade for the benefit of Washington and Georgetown. As there was little enthusiasm for the Constitutional amendment recommended by Jackson, there was little hope of overcoming his neo-Jeffersonian and laissez faire attitude toward the question of federal support for internal improvements.

Furthermore, the particular bitterness with which the Jacksonians viewed the Chesapeake & Ohio may have stemmed in part from the personal animosity that existed between President Jackson and Charles F. Mercer. As a young Congressman in 1819, Mercer had delivered an address on the House floor assailing Jackson's course in the Seminole War, a speech which Jackson—who was known to carry longstanding personal grudges—apparently never forgot.<sup>131</sup>

As chairman of the House Committee on Roads and Canals, Mercer had enjoyed the friendship of Presidents Monroe and John Quincy Adams, both of whom had supported the Chesapeake & Ohio Canal project. Jackson, on the other hand, had been a bitter antagonist of Adams since he lost the presidential election to him in 1824, and Jackson was little interested in

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<sup>127</sup> Proceedings of Directors, C, 108, and *Report of the Committee Appointed on the 28<sup>th</sup> April, 1832, By the Stockholders of the Chesapeake & Ohio Canal Company, On the Resolution of the General Assembly of Maryland, Relative to the Joint construction of the Chesapeake & Ohio Canal and the Baltimore & Ohio Railroad, Between the "Point of Rocks" and Harper's Ferry* (Washington, 1832), 3–8.

<sup>128</sup> Maryland House Journal, 1832, 23–24.

<sup>129</sup> Maryland Senate Journal, 1832, Appendix I, 4.

<sup>130</sup> Richardson, Messages and Papers, II, 1341, and Journal of the House of Representatives of the United States, 21<sup>st</sup> Cong., 1<sup>st</sup> sess., 1829–30, 733–742. For more information on Jackson's general attitude toward internal improvements see Robert V. Remini, *Andrew Jackson* (New York, 1966), 126, and Harold C. Syrett, *Andrew Jackson: His Contribution to the American Tradition* (Indianapolis, 1953), 135–154.

<sup>131</sup> Annals of Congress, 15<sup>th</sup> Cong., 2d sess., cols. 797–831

bailing out a project that Adams had supported, particularly in the area of internal improvements.<sup>132</sup>

These political rivalries and personal animosities were exacerbated after 1828 when Mercer, still holding his chairmanship of the House committee, as well as doubling as the canal president, became a persistent critic of the increasing power of the presidency and the spoils system under Jackson at the very time that he was coming into frequent conflict with the Jacksonians by his advocacy of federal support for internal improvements.<sup>133</sup> Thus, Jackson and his supporters had particular disdain for the Chesapeake & Ohio and its president and consequently were not inclined to be receptive to its appeal for additional funding.

The actions of the Jacksonian Democrats in the early 1830s served to underline this policy of hostility toward federal support for internal improvements in general and for the Chesapeake & Ohio in particular. In December 1828 Jacksonians in Congress introduced a joint resolution against further aid to the Cumberland Road and opposing federal ownership of stock in private internal improvement companies.<sup>134</sup> In June 1829, the new administration failed to send a representative to the first annual meeting of the canal company stockholders.<sup>135</sup>

On March 1, 1830, the House Committee on Internal Improvements recommended that no further aid be granted to the project until the relative value of canals and railroads was proved by trial, thereby taking the position that had been advocated by the Baltimore & Ohio Railroad and causing canal officials to spend a great deal of time in collecting and publishing data on the subject.<sup>136</sup>

The administration reversed its former policy of ignoring canal company meetings and actively interfered in company affairs at the second annual meeting of the company stockholders in June 1830 when Secretary of the Treasury Samuel D. Ingham nominated Commodore George Washington Rodgers, a respected naval hero and Jacksonian loyalist, to replace Mercer.<sup>137</sup> Although Mercer was reelected by a margin of 5,831 to 3,531, the Jacksonians again tried to dislodge him at the 1832 annual meeting.<sup>138</sup>

Meanwhile Congress refused to accede to any of the canal company's petitions for further aid.<sup>139</sup> Finally, in a desperate effort to win the favor of the national administration, the canal company consented in June 1833, by a highly-contested vote of 5,054 to 3,430, to the replacement of Mercer by ex-Secretary of War John Eaton, a friend of Jackson from Tennessee and a

<sup>132</sup> Remini, *Andrew Jackson*, 125–126.

<sup>133</sup> James Mercer Garnett, *Biographical Sketch of Hon. Charles Fenton Mercer: 1778–1858* (Richmond, 1911), 3–15, and *Dictionary of American Biography*, VI, 539.

<sup>134</sup> U.S., Congress, Senate, Joint Resolution for the Care and Preservation of the Cumberland Road, and of Other Roads Made or To Be Made by the Federal Government within the Different States, S. Doc. 6, 20<sup>th</sup> Cong., 2d sess., 1828.

<sup>135</sup> Mercer to Ingle, September 1, 1829, Ltrs. Recd., C&O Co.

<sup>136</sup> U.S., Congress, House, Committee on Internal Improvement, Report of the Committee on Internal Improvement, to Which Were Referred Sundry Petitions, Praying for an Appropriation to the Chesapeake & Ohio Canal Company, to be expended on the Western Side of the Mountains, H. Rept. 280, 21<sup>st</sup> Cong., 1<sup>st</sup> sess., 1830, 1.

<sup>137</sup> Washington *National Intelligencer*, June 14, 1830.

<sup>138</sup> Boteler to Mercer, July 28, 1832, Ltrs. Recd., C&O Co.

<sup>139</sup> U.S. Congress, House, Committee on Roads and Canals, Memorial of the Chesapeake & Ohio Canal Company, H. Doc. 73, 20<sup>th</sup> Cong., 2d sess., 1829, 1–2; *ibid*, Memorial of Stockholders, & c. in the Chesapeake & Ohio Canal Company, H. Doc. 120, 20<sup>th</sup> Cong., 2d sess., 1829, 1–4; *ibid*, Memorial of the Chesapeake & Ohio Canal Company, H. Doc. 127, 20<sup>th</sup> Cong. 2d sess., 1829, 1–3; *ibid*, Committee of Internal Improvements, Memorial of the President and Directors of the Chesapeake & Ohio Canal Company, H. Doc. 53, 21<sup>st</sup> Cong., 2d sess., 1830, 1–10; and *ibid*, Committee for the District of Columbia, Chesapeake & Ohio Canal Co., H. Doc. 93, 22d Cong., 2d sess., 1833, 1–13.

principal in the well-publicized Peggy Eaton affair.<sup>140</sup> Fortified by this concession, the canal board memorialized Congress in the spring of 1834 for a further subscription by submitting a lengthy report describing the historical development, the progress of the construction, and numerous problems of the canal project.<sup>141</sup> Notwithstanding the influence of the new president and the support of Mercer, who still remained as the chairman of the House Committee on Roads and Canals, Congress refused further aid to the company.

Failing to secure relief from the federal government, the canal directors belatedly sought to make peace with Maryland. A subscription by Virginia for \$250,000 in February 1833 was too small and too encumbered with stipulations concerning its use to provide any real assistance as the canal board agreed to apply some \$80,000 of the amount subscribed to the construction of several river locks that would provide access to the canal for boats crossing the Potomac from the Virginia shore.<sup>142</sup>

Therefore in February 1833, even before the bill providing for the Virginia subscription passed, the directors indicated their willingness to compromise their differences with the state and railroad, a move undoubtedly prompted in part by the railroad company's petition to Congress in that month requesting that the financial relief sought by the District cities be denied.<sup>143</sup>

In March, the legislature passed an act proposing an arrangement in which the state, the canal, and the railroad could all participate.<sup>144</sup> According to the bill, which required the approval of both companies to become operable, the railroad company was to subscribe to \$266,000 to the stock of the canal company in return for permission to construct its tracks from Point of Rocks to Harpers Ferry. This subscription covered the costs of extending the railway to Harpers Ferry on the right-of-way of between 20 and 30 feet in width. The canal company would undertake the actual location and construction of both lines through the 4.1 miles of difficult passes where both works came together. For its part, the railroad would agree not to use the Maryland side of the river above Harpers Ferry until the canal was completed to Cumberland or before 1840 if the canal had not been completed by that time. The legislature offered, as its part, to pass two acts, long the subject of dispute between it and the canal, when the railroad reached Harpers Ferry. These would permit the canal board to sell surplus water and to commence the western section before completing the canal to Cumberland.<sup>145</sup>

After the railroad signified its consent to some conditions designed by the canal company to protect its rights, the Chesapeake & Ohio formally accepted the Maryland act on May 9.<sup>146</sup> The acceptance of the compromise did not mark the end of the trouble between the railroad and the

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<sup>140</sup> Washington *National Intelligencer*, June 7, 1833, and *Niles' Register*, XLIV (June 22, 1833), 270–271.

<sup>141</sup> Proceedings of Stockholders, A, 320–321; Eaton to Price, January 3, 1834, Ltrs. Sent, C&O Co.; Sixth Annual

<sup>142</sup> Richmond Compiler quoted in *Niles' Register*, XLIV (April 27, 1833), 132; Proceedings of the President and Board of Directors, C, 282–283; and *Report on a Survey and Estimate for the Improvement of the Navigation of Goose Creek, Little River, and Beaver Dam in Loudoun County, Va.* (Washington, 1832), 3–6.

<sup>143</sup> U.S., Congress, House, Memorial of the Baltimore & Ohio Railroad Company, H. Doc. 113, 22<sup>nd</sup> Cong., 2d sess., 1833, 1-0, and *Niles' Register*, XLII (August 18, 1832), 441–442.

<sup>144</sup> Laws Made and Passed by the General Assembly of the State of Maryland (Annapolis, 1833), Ch. 291, Fifth Annual Report (1833), C&O Co., 12–15; and Proceedings of the President and Board of Directors, C, 312.

<sup>145</sup> Proceedings of the President and Board of Directors, C, 312, 341–342; Hungerford, *Story of the Baltimore & Ohio Railroad*, I, 137–141; and Semomes, *Latrobe and His Times*, 341.

<sup>146</sup> Proceedings of the Stockholders, A, 268–269, and Washington *National Intelligencer*, May 10, 1833.

canal, but there did follow a brief period of cooperation that seemed to brighten the prospects for both companies.<sup>147</sup>

After the compromise of 1833, the canal company again turned to Virginia and Maryland for aid in the solution of its financial problems. In June 1833 it estimated that it would cost \$1,106,000 to complete the navigation to Dam No. 5, while its resources to meet that sum amounted to \$1,295,104.54, leaving only the small sum of \$189,104.54 to be applied to the future extension of the canal.<sup>148</sup> The appeal to Virginia was unsuccessful, but the Maryland General Assembly voted an additional subscription of \$125,000 in March 1834.<sup>149</sup> By the summer of 1834, the financial condition of the canal company was again desperate.<sup>150</sup>

COST OF EXCAVATION AND EMBANKMENT FOR CANAL PRISM - MAY 1, 1833			
	Cu.Yds.		Average per Yd.
Grubbing		\$22,545.00	
Earth	5,006,642.00	610,475.76	12 19/100
Rock	907,698.00	599,003.65	65 99/100
Slate	8,150.00	1,841.00	22 59/100
Embankment from canal	1,017,809.00	124,382.23	12 22/100
Embankment not from canal	1,866,120.00	382,210.34	20 48/100
Puddling	134,709.00	30,273.75	
			Per Perch
Perches of stone pd.for as excavation	387,008.00	196,180.01	50 69/100
Perches of stone not pd.for as excavation	25,085.00	24,530.00	97 79/100
Extras		49,364.13	
TOTAL		\$2,040,805.87	
Of the total sum, \$1,619,625.65 had been done, and \$421,180.22 still needed to be done.			
Excerpted from House Report 414,26			

The Financial statement presented to the annual meeting of the stockholders in June showed that the company had already spent \$4,062,991.25. The available resources of the company totaled \$439,912, but approximately \$547,563 were needed to complete the work under contract to Dam No. 5, leaving a deficit of \$107,651. Accordingly, President Eaton informed the stockholders:

During the past twelve months, nothing has transpired to give any lively encouragement to the future progress and final completion of this important work. An embarrassed state of its finances has kept the officers, who have been engaged in superintending its affairs, under constant perplexity, and apprehension for its success; and with every practiced effort, they have been barely able to get on with its operation to the present time....The entire deficiency, over and above all the available means possessed by the company, it is

<sup>147</sup> Extracts from the Proceedings of the Baltimore & Ohio Railroad Company and the Chesapeake & Ohio Canal Company Respecting the Joint Construction of a Canal and Railroad Along 1-45; Fifth Annual Report (1833), 9, 15; and *Frederick Town Herald*, May 11, 1833.

<sup>148</sup> Fifth Annual Report (1833), 6.

<sup>149</sup> Laws Made and Passed by the General Assembly of the State of Maryland (Annapolis, 1834), ch. 241.

<sup>150</sup> *Williamsport Banner*, July 12, 1834.



believed, will not fall short of two hundred and forty or two hundred and fifty thousand dollars (when repairs and cost increases were counted).<sup>151</sup>

The deteriorating financial condition of the canal company was further aggravated by the monetary policies of the Jackson Administration. As a result of this continuing war against the Second Bank of the United States, the President in 1833 had forced the removal of the federal deposits from its vaults, distributing them among a select group of “pet banks.” Excessive retrenchment by the bank’s president, Nicholas Biddle, created a financial depression in 1834.<sup>152</sup>

COST OF CANAL CONSTRUCTION FROM ROCK CREEK BASIN TO DAM NO. 5 - MARCH 1, 1834	
Sections	\$2,152,878.98
Locks	534,382.18
Lockhouses	21,725.22
Bridges and Aqueducts	291,014.75
Culverts	204,072.78
WasteWeirs	22,020.35
Dams and Feeders	209,891.00
TOTAL	\$3,435,985.26
Excerpted from House Report 414,187	

Under the existing tight money market, the canal company could not convert \$218,750 in Washington and Georgetown six percent bonds into money without taking a serious loss. The hard times also made it impossible for the company to collect \$100,000 from the \$250,000 due in March from the stockholders. Without any hope of obtaining substantial accretions to its resources, the canal directors determined:

To issue promissory notes of five, ten, and twenty dollars, payable one year after date, with four per cent interest; and for the redemption of which, stocks of the State of Maryland, and of the corporations of Washington and Georgetown, will be placed in the hands of Phineas Janney, John P. Van Ness, and William Price, as trustees, to an amount (\$150,000) greater than it is proposed to issue notes; with authority in the trust to sell the stocks, and apply the proceeds to the payment of the notes when at maturity.<sup>153</sup>

Once the decision had been made to issue canal script, the canal board renewed its efforts to secure bank loans. In mid-September, the Bank of the United States advanced \$200,000 to the company and the board immediately placed advertisements in the Potomac Valley newspapers to attract several hundred additional hands to complete the canal to Dam No. 5.<sup>154</sup>

<sup>151</sup> Sixth Annual Report (1834), C&O Co., 3–4, 6–7.

<sup>152</sup> John Spencer Bassett, *The Life of Andrew Jackson* (Rev. ed., New York, 1967), 631–655, and Glydon G. Van Deuser, *The Jacksonian Era, 1824–1848* (New York, 1959), 80–83.

<sup>153</sup> *Niles’ Register*, XLVI (May 3, 1834), 149; *Williamsport Banner*, quoted in *Niles’ Register*, XLIV (April 26, 1834), 133; and *Sixth Annual Report* (1834), 3–4.

<sup>154</sup> *Niles’ Register*, XLVII (September 20, 1834, October 4, 1834); Proceedings of the President and Board of Directors, D 159; and Proceedings of Stockholders, A, 368.

Encouraged by this unexpected aid, the canal directors again directed appeals for additional funds to congress and the interested states in late 1834. They were supported in their petitions by the Internal Improvement Convention which met in Baltimore on December 8–10, 1834. The meeting assembled at the call of an earlier gathering at the Allegany Court House in Cumberland on October 18, at which supporters of the waterway in the western Maryland counties had urged further assistance for the project so that it could be completed to Cumberland.<sup>155</sup> About 200 representatives from Maryland, Virginia, Pennsylvania, Ohio, and the District cities attended the convention.<sup>156</sup>

Ostensibly called not only to consider measures “as should seem most likely to cause the Chesapeake & Ohio Canal to be soon finished,” but also to undertake plans for other internal improvements “of a national character” to “advance the welfare to Maryland, and her sister states,” the convention devoted its time almost exclusively to the problems of the waterway. The convention selected as its chairman, George Corbin Washington, a grandnephew of George Washington, Harvard-educated lawyer, and former Maryland Congressman who had been elected the third president of the canal company in June 1834.<sup>157</sup>

Among the important actions of the convention were the formal approval of memorials to the House of Representatives, the Mayor and City of Council of Baltimore, and the Virginia, Maryland, and Pennsylvania legislatures for more aid.<sup>158</sup> Two significant reports were submitted by committees appointed by the convention. One, by the principal committee headed by ex-president Mercer, examined the probably cost and time of completing the canal, and the other, chaired by Pennsylvania Congressman Andrew Stewart, reviewed the expected trade and revenue of the canal when it would reach Cumberland.<sup>159</sup>

The Mercer committee report noted the amount and quality of work already done on the canal and the work remaining to be done. Concerning the finances needed to complete the eastern section of the waterway, the report concluded:

The completion of these works is expected to carry the total cost of the eastern section of the canal to the amount of very near \$6,500,000. Of this sum, the first 107 miles with its appendages, will continue 4 ½ millions. This last sum allows \$25,640 per mile, for each mile of the 78; and is believe to be sufficient; as well from the a reference to the actual cost of a large portion of the canal, above and below Williamsport, as from a survey and working estimate of the 25 ½ miles immediately below the Great Cacapon; at which point, it is contemplated to erect the next or sixth dam, across the Potomac. The total cost of these 26 ½ miles, it is confidently believed, will not exceed \$600,000. So that, of the two millions, \$1,400,000 will be applicable to the construction of 51 ½ miles above Cacapon; which allows about \$17,184 per mile for the portion of the eastern section.

Altogether the report estimated that it would cost approximately \$14,500,000 to complete the canal to Pittsburgh.<sup>160</sup>

The Stewart committee report studied the sources of trade of the canal when it would be completed to Cumberland. In glowing terms, it expressed the firm conviction that the Chesapeake

<sup>155</sup> *Journal of the Internal Improvement Convention Which Assembled in the City of Baltimore, On the 8<sup>th</sup> Day of December, 1834* (Baltimore, 1835), 3–7.

<sup>156</sup> *Ibid.*, 7–10.

<sup>157</sup> *Niles' Register*, XLVI (July 5, 1834), 326.

<sup>158</sup> *Journal of the Internal Improvement Convention*, 27–44, 73–93, and *Niles' Register*, XLVII (December 13, 1834, January 1, 1835), 233, 308–310.

<sup>159</sup> *Journal of the Internal Improvement Convention*, 45–72.

<sup>160</sup> *Ibid.*, 58–63.

& Ohio Canal will afford a more profitable investment of funds, than any similar work of internal improvement in the United States, possessing as it does, advantages in reference to climate, distance, structure, and sources of revenue, decidedly superior to any other, constructed or contemplated." The sources of revenue named by the report were coal, lumber, lime, iron, fish, agricultural produce, merchandise, and water power rentals, all of which would "force it (the canal) onward to its completion" to the Ohio River.<sup>161</sup>

Reassured by the convention reports and enthused over the prospects of a "geometrical increase of business" once the waterway reached Cumberland, the convention adjourned to press its quest for aid.

Once again the efforts were made to obtain the assistance of the United States. Despite the favorable recommendation of the House Committee on Roads and Canals, Congress again refused to grant the requested aid. After this rebuff to their petition, the canal supporters confirmed their efforts to obtain \$500,000 from the dividend of the Second Bank of the United States, in return for which sum the company offered perpetual release from tolls for government business on the waterway. When this proposal failed to pass the Senate, it became clear to all concerned that the federal government had renounced all interest in the project.<sup>162</sup>

The failure of Congress to assume the support of the canal company placed the future of the work in the hands of the District cities and the interested states. The former were debt-ridden and incapable of rendering further aid, and the latter, except Maryland, were no longer interested. Supporters of the canal in the Virginia Assembly introduced a bill to guarantee a loan of \$500,000 for the canal company in return for a mortgage of canal property to the state, but after passage in the lower house, the proposal was defeated by one vote in the Senate when it was called up during the absence of several known friends of the canal.<sup>163</sup> The canal was thus forced to rely solely upon the support of the state of Maryland.

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<sup>161</sup> Ibid, 45–47, and *Niles' Register*, XLVII (January 17, 1835), 330, 341–344.

<sup>162</sup> Washington to Colston, January 31, 1835, Ltrs., Sent, C&O Co., and Proceedings of Stockholders, A, 365–370.

<sup>163</sup> *Niles' Register*, XLVII (February 21, 1835), 428; XLVIII (March 7, 1835), 2; and *Richmond Compiler* quoted in *Niles' Register*, XLVIII (March 14, 1835), 18.

### III. MARYLAND ASSUMES CONTROL OF THE GREAT NATIONAL PROJECT: 1835–1842

The canal company vigorously pressed the Maryland General Assembly to pass a bill authorizing a loan of the entire \$2,000,000 required to complete the canal to Cumberland. The campaign to acquire the loan was aided by the memorial of the politically impressive Internal Improvement Convention and the personal lobbying efforts of President Washington and certain influential members of the assembly.<sup>164</sup> After considerable debate, the Maryland legislature passed the act in March 1835 authorizing the loan, with members from Baltimore and the Eastern Shore supporting it as well as the canal supporters from the western counties.<sup>165</sup>

Apparently, two arguments had a great effect in winning support for the measure. It was widely believed that the future revenues of the canal, as outlined in the report of Andrew Stewart to the Internal Improvement Convention, would provide sizeable financial returns to the state in later years. To foster this hope, the pro-canal delegates, encouraged by President Washington, proposed to give the counties for educational purposes all receipts over the amount necessary to provide a sinking fund to redeem the debt.<sup>166</sup> The members were also afraid of the consequences of the concurrent deliberations in the Virginia legislature concerning the mortgage of the canal to that state for only \$500,000, a sum clearly inadequate to complete it to Cumberland.<sup>167</sup>

The act provided for the payment of \$600,000 on June 20, 1835, and \$200,000 on October 1, 1835, \$200,000 on January 1, 1836, and four quarterly installments of \$250,000 each on the first of April, July, October, 1835, and January 1837. Upon the unanimous recommendation of the canal directors, the company stockholders formally accepted the load and authorized the mortgage at a special meeting on April 22.<sup>168</sup>

In reporting the \$2,000,000 loan, the *Niles Register* editorialized that

They cannot but congratulate the stockholders and the community upon the prospects which the act of Maryland affords of speedily realizing the sanguine anticipations in which they have long indulged for the completion of this great work of internal improvement.<sup>169</sup>

During the ensuing months, the canal company had little trouble in obtaining the money for the bonds issued to pay the loan as financial conditions both on the domestic and European scenes

<sup>164</sup> Proceedings of the President and Board of Directors, E, 83–84, 165; and *Memorial to the General Assembly of Maryland in Behalf of the Chesapeake & Ohio Canal* (Baltimore, 1835), 3–12.

<sup>165</sup> Ibid, 265; Washington to Ingle, March 1, 1835, Stewart to Ingle, March 6, 1835, and Nesbit to Washington, April 8, 1835, Ltrs. Recd., C&O Co.; *Laws Made and Passed by the General Assembly of the State of Maryland* (Annapolis, 1835), ch. 241; on Internal Improvement Maryland, General Assembly, House of Delegates, *Committees Report to the Committee on Internal Improvement to which Was Referred the Memorial of a Convention of Citizens of the States of Maryland, Virginia, Pennsylvania, & Ohio, and of the District of Columbia, Invoking Further Aid to the Chesapeake & Ohio Canal* (Annapolis, 1835), 1–7, and Ibid, Committee on Ways and Means, *To Whom Was Referred the Bill Reported by the Committee on the Internal Improvement, to Provide for the Completion of the Chesapeake & Ohio Canal to Cumberland* (Annapolis, 1835), 1–8.

<sup>166</sup> Washington to Ingle, March 1, 1835, Ltrs. Recd. C&O Co.

<sup>167</sup> Ingle to Barnard, March 6, 1835, Ltrs. Sent, C&O Co.

<sup>168</sup> Proceedings of the President and Board of Directors, 283; *Report of the President and Directors of the Chesapeake & Ohio Canal Company, to the Stockholders, Specially Concerned in General Meeting April 22, 1835* (Washington, 1835), 3–8; and Proceedings of Stockholders, A, 376–377.

<sup>169</sup> *Niles' Register*, XLVIII (April 25, 1835), 129.

were favorable to the disposal of the state bonds at a premium. Anxious to avoid speculation on future sales, the directors offered the bonds as a block and accepted the bid of a Baltimore house to take the bonds at a premium of \$15.40 per \$100.<sup>170</sup> A further indication of Maryland's interest in the completion of the eastern section was its decision as a one-sixth bondholder to forego dividends, thereby repaying her own loan to that extent.<sup>171</sup>

Upon receipt of the first installment of the \$2,000,000 loan in June 1835, the company liquidated its entire debt of \$559,771.05, retires its canal script, and resumed the construction of the waterway above Dam No. 5 with increased vigor.<sup>172</sup> However, the continued high cost of land and labor during the inflationary cycle of the 1830s, and increased construction difficulties in the upper Potomac Valley soon forced the actual cost of the canal far above the estimates which were the basis of the \$2,000,000 loan. There were at least five factors that played a direct role in increasing the cost of construction, thus hindering the rapid completion of the work.

First, the work on the sections above Dam No. 5 proved more difficult and costly than had been anticipated in part because Charles B. Fisk, an assistant engineer who in May was placed in charge of the important new third residency on which all construction was then concentrated, again raised high the banner of perfection which former President Mercer had carried as persistently during the early years of the canal project. On March 30, 1835, he wrote to the canal board with apparently little knowledge of, or concern for, financial considerations, proposing a revision of building procedures in extending the canal and urging greater care and expenditure in construction in order to reduce subsequent repair and maintenance costs.<sup>173</sup>

Regardless of its economic or technical soundness, this plan proved to be politically disastrous course for the company in the 1830s and 1840s, leaving the future success of the canal clouded by a staggering capitalization, and in June 1837 it reiterated its insistence on perfection for the work above Dam No. 5 and rejected all proposals for expedients in construction:

In the location and construction of the canal above Dam no. 5, as well as that designed from Cacapon to Cumberland, the Board has acted on the principal that temporary works and expedients, to hasten the opening of the navigation to the coal region, cannot accomplish the object for which this magnificent improvement was designed, and would prove a failure alike discreditable to its projectors and managers, as well as to the community concerned; neither would the interests of the stockholders have been consulted by a plan of operation looking only to saving in cost and time. False and imperfect construction and location would necessarily induce frequent costly repairs, amounting eventually to more than the first cost of a perfect work; and as to time, much more would be lost than gained, from the repeated and vexatious interruptions to trade, of breaches in the embankments, and failures in the masonry. Whilst, on the one hand, the Board has been actuated by the most scrupulous regard to the proper and judicious application of the funds of the company, on the other hand, they have endeavored to avoid false motions of economy in the construction of the work which is not designed to subserve the purposes of the present day or century, but is to endure for all time.<sup>174</sup>

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<sup>170</sup> White to Washington, April 11, 1835, and Maclubin to Washington, June 5, 1835, Ltrs. Reed, C&O Co.

<sup>171</sup> Proceedings of Stockholder, A, 371.

<sup>172</sup> Maryland, General Assembly, Joint Committee on Expenditures for Internal Improvement, *Report of the Joint Committee Appointed to Inquire into the Expenditures of the State, In Works of Internal Improvement* (Annapolis, 1836), 4, and Proceedings of the President and Board of Directors, D, 342.

<sup>173</sup> Fish to President and Directors, March 30, 1835, Ltrs. Reed, C&O Co.; Proceedings of the President and Board of Directors, 311, 319.

<sup>174</sup> *Ninth Annual Report* (1837), C&O Co., 6–7.

The influence of such ideas by Fish would continue to affect the canal construction as he was promoted to chief engineer on April 12, 1837, and remained in that position, with the exception of a brief period in 1840–41, until 1852.

Second, construction costs increased because of the stone in the upper Potomac Valley. Contrary to earlier reports, new ground surveys by Resident Engineer Thomas F. Purcell and Superintendent of Masonry A. B. McFarland found a large part of the strata to be composed of normally friable red sandstone, much of it already rotten. Good supplies of limestone were discovered at scattered points on both sides of the river, notably near the mouth of the Great Cacapon on the Virginia side and at Town Hill on the Maryland side. But many of the deposits were at some distance from the projected line of the canal, thereby increasing transportation costs to move the materials to the construction site.<sup>175</sup>

Third, land damages added to the increasing expense of construction. Landholders in Washington and Allegany Counties continued to demand the highest possible prices, and juries in both jurisdictions continued to exact full satisfaction. Land costs averaged \$2,290 per mile, more than double the estimates of 1834, ranging from 2 ½ to 25 times the company's original estimated costs. The general attitude of the Jacksonian-oriented western Maryland farmers appeared to be best summed up in the words of one of the proprietor's lawyers when he stated that "this great wealthy foreign Company should not be permitted to trespass upon the farmer without being made to pay ample for it."<sup>176</sup>

Fourth, the rise in construction costs was affected by the labor and provisions price increases of the 1830s. With resumption of large-scale operations the shortage of workers again became critical. To relieve this condition, A. B. McFarland went to New York and Philadelphia in early 1837 to recruit additional hands, as many other public works in the East had already been forced to suspend operations because of spiraling inflation.<sup>177</sup> Despite his efforts, the level of wages on the canal, which had averaged \$5 to \$10 per month on 1828, rose to nearly \$35 per month.<sup>178</sup>

The contractors were experiencing severe financial problems by the summer of 1836. As a result, the canal board ratified a series of estimated increases among which were included an 8 per cent increase in the estimates for eighteen contractors between Dams No. 5 and 6 in August 1836, a further advance of \$106,808 to the contractors on the same stretch of the canal in February 1837, and 30 per cent increase over January 1836 prices for the estimates on the "50-mile section" between the Cacapon River and Cumberland in August 1837.<sup>179</sup> Many contracts were abandoned and relet for increases of from 25 to 40 per cent.<sup>180</sup>

The steady rise in prices was also evidenced in a report in April 1838 which revealed that the following construction items had increased as follows within a five-month span:

Excavation from 11 and 14 cents to 20 cents a cubic yard  
Puddling from 10 to 30 cents a cubic yard

<sup>175</sup> Purcell to Board of Directors, May 26, 1835, and McFarland to Bender, January 2, 1836, Ltrs. Recd., C&O Co.

<sup>176</sup> Price and Merrick to President and Directors, July 23, 1835; and Bender to President and Directors, August 10, 1835, and May 7, 1836, Ltrs. Recd., C&O Co.

<sup>177</sup> *Tenth Annual Report* (1838), C&O Co., Appendix 1, 22, and Proceedings of Stockholder, B, 81.

<sup>178</sup> G.M. and R.W. Watkins to President and Directors, February 15, 1837, and Fish to Bender, August 3, 1837, Ltrs., Recd., C&O Co.

<sup>179</sup> Proceedings of the President and Board of Directors, E, 126–127, 129; Fish to Bender, August 23, 1836, August 3, 1837, Ltrs. Sent, Chief Engineer; and Report of the Committee of Directors, February 4, 1837, Ltrs. Recd., C&O Co.

<sup>180</sup> *Tenth Annual Report* (1838), Appendix 3, 25 ff.

Walling from 45 cents to 75 cents a perch  
Embankment from excavation from 18 cents to 30 cents a cubic yard<sup>181</sup>

Fifth, the adoption of the Paw Paw tunnel and deep cuts contributed to the increased costs of construction. One of the most expensive projects on the entire line, it was the proudest achievement of the company and its contractor, Lee Montgomery, a hard-working Methodist minister, was treated with greater deference by the canal directors than most other contractors. The importance of keeping the work moving on the heavy sections to prevent undue delay in the completion of the canal insured him of their continued financial assistance and by 1842 the company had paid over \$616,478.65 for this partially-completed structure, a sum that was about 75 percent above earlier contract estimates.<sup>182</sup>

The escalation in land, labor, and construction costs soon forced the actual cost of the canal far above the estimates which were the basis of the \$2,000,000 loan. In 1834, Engineer Alfred Cruger had allowed \$663,676 for the construction of the 27 miles between Dam No. 5 and the Cacapon River.<sup>183</sup> Fisk revised this figure in June 1835 on the basis of work actually done, raising it to \$1,022,534, and in June 1836 another revision raised the cost to \$2,427,497.<sup>184</sup>

As a result of these developments, the resources of the company were inadequate for the job, and the canal board began curtaining its operations in January 1836 by suspending the letting of contracts and condemnation of land above the Cacapon.<sup>185</sup> As it had so many times in the past, the canal company again petitioned the District cities and the Virginia and Maryland legislature for further aid.<sup>186</sup>

The bankrupt District cities were in no position to offer assistance, their predicted declaration of foreclosure being prevented only by the assumption of their debts by the federal government in May 1836.<sup>187</sup> The petition to the Virginia Assembly produced a bill for an additional subscription to the company, but opposition from the James River and Kanawha Company prevented its passage.<sup>188</sup> When the company requested an additional \$2,500,000 from the Maryland General Assembly, there was widespread support for the canal's appeal. The suspension of the work above the Cacapon in January 1836 was a serious blow to the Cumberland businessman as described in the *Niles' Register*:

The stoppage of the work on the Chesapeake & Ohio Canal has caused a very considerable panic in Cumberland. Two hours after the arrival of the news, the price of produce came down at least 10 percent. Business still continues to be dull; our principal streets presenting an unusual barrenness; the merchant is idle; and the mechanic slow in the transaction of his business; the speculator is cut to the quick; and those who engaged to pay high rents on account of the prospects of the canal, have been suddenly and seriously

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<sup>181</sup> Proceedings of the President and Board of Directors, E, 389–390.

<sup>182</sup> Bender to President and Directors, August 30, 1837, Ltrs. Recd., C&O Co.; Proceedings of the President and Board of Directors, E, 384; and Ledger Book A, C&O Co.

<sup>183</sup> The survey by Cruger is printed in its entirety in House Report 414, 200–220.

<sup>184</sup> *Eighth Annual Report* (1836), C&O Co., 3–4.

<sup>185</sup> Ingle to Bender, January 9, 16, 1836, Ltrs. Sent, C&O Co., and Bender to Ingle, January 19, 1836, Ltrs. Recd., C&O Co.

<sup>186</sup> *Memorial of the President and Directors of the Chesapeake & Ohio Canal company to the Honorable the General Assembly of Maryland, January 27, 1836* (Washington, 1836), 1–16.

<sup>187</sup> Proceedings of the President and Board of directors, E, 66. Also see, U.S., Congress, Senate, *Memorial of the Corporation of Georgetown, D.C., Praying to be Relieved from Pecuniary Embarrassments by Congress*, S. Doc. 48, 24<sup>th</sup> Cong., 1<sup>st</sup> sess., 136, 1–3.

<sup>188</sup> Sherrard to Hinderson, March 19, 1836, Ltrs. Recd, C&O Co.

disappointed. Indeed, the citizens of the town generally, and the farmers for many miles round, have great cause to regret this temporary suspension.

The proceeding has startled everybody. For after the great liberality of the legislature, in granting two millions, no one expected such a result. It was believed that the work would be very nearly completed at least....<sup>189</sup>

The popularity of the waterway had grown as it advanced westward and became an increasingly important factor in the projected regional economy. Town meetings, such as one held at Cumberland, passed resolutions urging the legislature to grant further aid.<sup>190</sup> The chances of the company's success in obtaining the increased aid were enhanced by the simultaneous need of the Baltimore & Ohio Railroad for further assistance and an internal improvements fever that was sweeping the state.

Despite these favorable circumstances, there was strong opposition in the Assembly to large appropriations for public works. Notwithstanding the recommendations of the Joint committee on Expenditures for Internal Improvement and the House Committee on Ways and Means, the bill providing \$8,000,000 for various state canal and railroad projects failed to pass the House of Delegates by a vote of 35 to 34 on March 31, 1836.<sup>191</sup> Following the vote, the Assembly adjourned until May 4, when a special session would take up the proposal after the Maryland citizens had had an opportunity to discuss it.

The pro-internal improvements forces sponsored a series of rallies climaxed on May 2 by a mass meeting in Baltimore, attended by representatives from Maryland, Virginia, and Pennsylvania.<sup>192</sup> The rally adopted resolutions urging the state to:

1. complete the public works;
2. secure control of the Chesapeake & Ohio;
3. bring its trade to Baltimore by means of the long-discussed Maryland Cross-Cut Canal;
4. permit the extension of the Baltimore & Ohio to the west through Maryland;
5. encourage the development of local railroads, such as the Eastern Shore Railroad, in other parts of the state.<sup>193</sup>

The special session that met in Annapolis on May 20, 1836, referred the question of the condition of state finances and public works to the Joint Committee on Internal Improvements. Badly divided over this critical issue, the committee issued two separate reports. The majority noted that the exhausted condition of the state finances would not permit large expenditures for public works, and, at any rate, there was insufficient information on which to base major decisions on the proposed construction on the Baltimore & Ohio, the Maryland Cross-Cut Canal, and the Eastern Shore Railroad. The members could see no reason for extending the Chesapeake & Ohio if its

<sup>189</sup> *Niles' Register*, XLIX (February 20, 1836), 426.

<sup>190</sup> William H. Lowdermilk, *History of Cumberland* (Washington, 1878), 338–339.

<sup>191</sup> *Report of the Joint Committee Appointed to Inquire into the Expenditures of the State*, 3–4, “Report of the Committee on Ways and Means of the House of Delegates, on the Subject of the Finances and Internal Improvements,” March 9, 1836, in *A Short History of the Public Debt of Maryland* (Baltimore, 1844), Appendix K, 52–62.

<sup>192</sup> *A Short History of the Public Debt of Maryland*, 23–25.

<sup>193</sup> “Address of the City of Baltimore to the People of Maryland,” April 12, 1836, in *Ibid*, Appendix, 68–72, and *Journal of the Internal Improvement Convention*, May 2, 1836,” in *Ibid*, 27–30.



terminus was to remain in Georgetown, and they found it difficult to see the need for extending both the canal and the railroad if one were more advantageous than the other.<sup>194</sup>

On the other hand, the minority report, written by Joseph Merrick, a long-time canal supporter who had helped engineer the 1834 and 1835 subscriptions through the Assembly, rejected the retrenchment policy of the majority. It urged the passage of the Eight Million Bill as a logical culmination of the state's efforts to acquire a share of the western trade and as a measure to provide for the future stability of the treasury.<sup>195</sup>

The Assembly paid little heed to the warnings of the majority report and adopted the views of the minority. The House of Delegates passed the internal improvements bill on June 3 by a vote of 48 to 39, and the Senate passed it the following day by a vote of 11 to 2. The act provided for the subscription of \$8,000,000 to various internal improvement companies:

- \$3,000,000 each to the Chesapeake & Ohio and the Baltimore & Ohio;
- \$1,000,000 to the Baltimore and Susquehanna Railroad;
- \$500,000 to the Maryland Canal Company for a branch canal from the Chesapeake & Ohio to Baltimore;
- And \$250,000 each to the Annapolis and Elkridge Railroad and the Eastern Shore Railroad.

Before any payments would be made on the two major subscriptions, the Maryland Canal Company must be organized with sufficient funds to insure the construction of its work. The Baltimore & Ohio was released from the prohibition against extending its line in Maryland beyond Harpers Ferry before 1840. As had been the case in earlier subscriptions, the loans were in the form of state bonds.<sup>196</sup>

The citizens of Baltimore were delighted by the passage of the law. All the important provisions of the bill appeared to promote the commercial interests of their city over those of the District cities. Accordingly, a public meeting was held at the Exchange at which resolutions were unanimously adopted “for a public dinner—an exhibition of fireworks—a salute of 100 guns—the ringing of bells of all the churches, engine houses, and other institutions—and the general display of the flags of the shipping and public buildings.”<sup>197</sup> The celebrations were complemented by a report of the Baltimore Common Council urging both the railroad and canal companies to come to an agreement over any disputes which might arise between them and encouraging the efforts being taken to organize the Maryland Canal Company.<sup>198</sup>

The canal company and the District cities, particularly the Corporation of Washington, reacted with some displeasure to the Eight Million Dollar Bill. Their major objections centered on the provision of the act which required the Maryland Canal Company to construct a waterway by the “most northern practicable route,” as the condition upon which the appropriation to the Chesapeake & Ohio depended and on the provision permitting the Baltimore & Ohio to extend its

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<sup>194</sup> “Majority Report of the Joint Committee of Both Branches of the Legislature, Appointed to Investigate the Subject of Internal Improvement,” in *Ibid*, 33–38.

<sup>195</sup> “Minority Report of the Joint Committee of Both Branches of the Legislature, Appointed to Investigate the Subject of Internal Improvement,” in *Ibid*, 39

<sup>196</sup> *Eighth Annual Report* (1836), C&O Co., 6. For more information on the Maryland Crosscut Canal, see Walter S. Sanderlin, “The Maryland Canal Project—An Episode in the History of Maryland’s Internal Improvements,” *Maryland Historical Magazine*, XLI (March, 1946), 51–65.

<sup>197</sup> *Report to the Stockholders on the completion of the Chesapeake & Ohio Railroad to Cumberland*, 62–63.

<sup>198</sup> Baltimore, Common Council, Joint Committee on the Chesapeake & Ohio Canal, *Report, Presented by Mr. Maury* (Baltimore, 1836), 1–6.

line in Maryland above Harpers Ferry. Furthermore, by accepting the \$3,000,000 subscription, the company would fall under the control of the State of Maryland, a long-standing ally of the railroad.<sup>199</sup>

Nevertheless, the provisions of the act were carried out in a relatively short time. The Chesapeake & Ohio and the Baltimore & Ohio reached an agreement on July 28 over the settlement of the disputes that might arise between the two companies. On the same day, the canal stockholders accepted the Maryland act by a vote of 4,101 to 2,333, the Corporation of Georgetown and Alexandria and the State of Maryland voting in the affirmative and the Corporation of Washington in the negative.<sup>200</sup>

Promoters of the cross-cut canal project obtained subscriptions from the Baltimore Citizenry and organized the company, despite the fact that earlier surveys by U.S. Engineer William Howard had shown the only practicable route for such a canal to lie through the District of Columbia.<sup>201</sup> The subscriptions to the Baltimore & Ohio and the Chesapeake & Ohio were then released from the legal restrictions of the act, and the State of Maryland, as a result of its 1834, 1835, and 1836 subscriptions, gained control of the company and a mortgage on its property. After this date, canal affairs were dominated by the state, and the future of the waterway was inseparably tied to the desires of the state.<sup>202</sup>

Although the \$3,000,000 subscription appeared to assure the successful completion of the canal's construction, the company found itself in a precarious financial situation almost immediately. Three principal causes contributed to the desperate financial condition of the company: the monetary policies of the Jackson Administration that led to the severe economic Panic of 1837, the depression in England which brought a curtailment in the European money markets, and the political maneuvering by opponents of public works in Annapolis.

During his battle against the Second Bank of the United States, Jackson and his advisers gradually developed a theory of business cycles, in which paper money was the villain that caused alternated periods of inflation and depression. If the circulation of paper could be restricted and the proportion of gold and silver to paper increased, the cycle, and especially the ruinous inflation that was then occurring, could be brought under some measure of control. Wage earners and small farmers, the two groups that Jackson had championed as the epitome of the "common man," would then receive some protection from periodic disaster.<sup>203</sup>

When his efforts to persuade Congress to enact legislation limiting the circulation of bank notes failed, Jackson applied his hard-money tendencies to the sale of public lands. During the highly-inflationary mid-1830s, the purchase of public lands thereby fueling the uncontrolled inflation of the period increased by leaps and bounds. The banks, particularly in the West, had extended their loans beyond all reason, as much of the payment for government lands consisted of nothing more than paper of state banks, paper that was loaned out, returned to the banks, and again loaned out in a vicious cycle. Partly as a result of his concept of a sound currency and partly due to the public outcries against the land speculators, Jackson issued the Specie Circular on July

<sup>199</sup> *Report to the Stockholders on the Completion of the Chesapeake & Ohio Canal to Cumberland*, 63, Washington, D.C., Council, Joint Committee on the Chesapeake & Ohio Canal; *Report* (Washington, 1836), 1–6; and *Report of the General Committee of the Stockholders of the Chesapeake & Ohio Canal Company, Presented July 18, 1836* (Washington, 1836), 3–8.

<sup>200</sup> Proceedings of Stockholders, B, 40–49; and *Niles' Register*, L (August 6, 13, 1836), 377.

<sup>201</sup> U.S., Congress, House, *Letter of the Secretary of War, J. Barlow, Transmitting a Report of the Engineer on the Survey of a Route for the Proposed Canal to Connect the Chesapeake & Ohio Canal with Baltimore*, H. Doc. 58, 20<sup>th</sup> Cong., 1<sup>st</sup> sess., 1825, 6–8.

<sup>202</sup> Sanderlin, *Great National Project*, 111–112.

<sup>203</sup> Marquis James, *Andrew Jackson: Portrait of a President* (Indianapolis, 1937), 414, 426, 439–441.

11, 1836, prohibiting all federal government receivers of public money from accepting anything but specie in payment for the public lands.<sup>204</sup>

By the spring, the measure had created a demand for specie that many of the banks could not meet. Gold and silver were drained from the East to the West, making money very tight on the eastern seaboard. Western banks were forced to curtail their discounts, and bank failures in the West spread to the East, gripping the entire country in a sudden financial panic. Finding it virtually impossible to conduct its business in the specie shortage, the canal company resorted to the issue of change notes on June 20.<sup>205</sup>

The grave economic situation in America was worsened by a depression in England. To weather its crisis, the British government lowered the price of cotton from 17 ½ to 13 ½ cents, thereby undercutting the American cotton manufacturing industry. London investors also started a drain of specie from the United States as they began curtailing their commitments in North America.<sup>206</sup>

Against the background of national and international economic instability, the canal company had trouble from the start in obtaining the bonds issued by Maryland to cover the \$3,000,000 subscription on the proceeds from the sale. First, there were delays in putting the law into effect as a result of a major political battle between the decreasing tobacco-raising and slaveholding counties of southern Maryland and the rapidly growing city and environs of Baltimore over the system of representation in Annapolis, a vicious conflict that led to constitutional amendments providing for the popular election of the governor and state senators, the abolition of the Governor's Council, and a slight increase in the representation of the city of Baltimore and the more populous counties.<sup>207</sup>

These political distractions caused the postponement of the appointment of state commissioners to negotiate the sale of the bonds until December 1836. One of the commissioners left immediately for London, but the other two remained in Maryland until the following spring.<sup>208</sup> By the end of March 1837, the directors, desperate for cash, decided to purchase the bonds on behalf of the company, and a provisional contract was drawn up accordingly.<sup>209</sup> When the commissioners failed to negotiate the sale of the bonds for the required 20 percent premium by December 1837, the board determined to undertake the task on the same terms.<sup>210</sup>

By this time more trouble was brewing for the canal company in Annapolis, as some members of the General Assembly had lost their enthusiasm for internal improvements as a result of the depression and the opponents of public works were demanding a reduction of governmental expenses and a limitation of the power of the General Assembly to contract debts.<sup>211</sup> After a considerable debate, during which time the legislature debated the repeal of the Eight Million

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<sup>204</sup> Van Deusen, *Jacksonian Era*, 104–105, and *American State Papers, Public Land* (8 vols., Washington, 1832–61), VIII, 910.

<sup>205</sup> Van Deusen, *Jacksonian Era*, 116, and *Niles' Register*, LII (July 1, 1837), 273.

<sup>206</sup> Van Deusen, *Jacksonian Era*, 116–117.

<sup>207</sup> John Thomas Scharf, *History of Maryland from the Earliest Period to the Present Day* (3 vols., Baltimore, 1879), III, 192–196.

<sup>208</sup> Proceedings of Stockholders, B, 79, and *Report to the Stockholders on the Completion of the Chesapeake & Ohio Canal to Cumberland*, 75–76.

<sup>209</sup> Proceedings of the President and Board of Directors, E, 226; Proceedings of the Stockholders, B, 75; and Buchanan to Washington, March 7, 15, April 16, May 16, 1837, George Corbin Washington Papers, Maryland Historical Society, Baltimore.

<sup>210</sup> *Report to the Stockholders on the Completion of the Chesapeake & Ohio Canal to Cumberland*, 75–76.

<sup>211</sup> Richard Walsh and William Lloyd Fox, *Maryland: A History, 1632–1974* (Baltimore, 1974), 278–292.

Dollar Act and the withholding of bonds not already issued, the Assembly finally confirmed the bond issue in March 1838 and placed the certificates in the company's hands.<sup>212</sup>

The canal board divided the bonds into equal sums for sale in the United States and in Europe. There soon proved to be no market for the bonds either here or overseas because of the tightness of the financial communities after the economic depression. Accordingly, on the advice of their agents in London, both the railroad and canal companies prevailed upon the Maryland legislature to convert the bonds to 5 percent sterling, the canal company coupling with its request a petition for an additional \$1,375,000 subscription.<sup>213</sup> After another debate on the advisability of refusing all further aid to the canal project, the Assembly in April 1839 consented to the company's requests.<sup>214</sup>

The company was released from the provisions of the 1836 act requiring state commissioners to negotiate the sale of the bonds at a 20 percent premium. Instead, the commissioners of loans was authorized to issue to the canal company five percent sterling bonds amounting to \$3,200,000 in lieu of the \$2,500,000 of six percent certificates which had been delivered to the company and \$500,000 of six percent certifications which had been retained by the treasurer of Maryland as security for the payment of the premium. In return the company was required to redeem the six percents by a substitution of the five percents, where the former had been hypothecated, and return the entire amount to the state to be cancelled.<sup>215</sup> At the same time it subscribed an additional \$1,375,000 to the canal stock, a loan that was the result of an admission as early as 1838 that because of the difficult construction and high building costs, \$1,500,000 more would be needed above all available resources, to complete the waterway.<sup>216</sup>

During these lengthy negotiations, the canal company resorted to several temporary arrangements to keep the work going. Among these activities were the institution of suits against delinquent stockholders to force full payment, the shifting of their funds to specie-paying banks, and the procurement of loans from local banks on the pledge of Washington and Georgetown bonds. At first the efforts were successful only in Baltimore and Washington, but in November the Second Bank of the United States in Philadelphia granted a loan of \$50,000 on the pledge of Washington stock. After that the company secured loans in the District of Columbia and in Baltimore amounting to over \$300,000 by June 1838.<sup>217</sup>

<sup>212</sup> Proceedings of the President and Board of Directors, E, 380–381; *Tenth Annual Report* (1838), C&O Co., 3, 11; and *Laws Made and Passed by the General Assembly of the State of Maryland* (Annapolis, 1837), R68.

<sup>213</sup> Proceedings of the President and Board of Directors, E, 388; *Tenth Annual Report* (1838), 11; *Report to the Stockholders on the Completion of the Chesapeake & Ohio to Cumberland*, 78–80, and *Communication from George C. Washington, President of the Chesapeake & Ohio Canal Company in Answer to the Report Made to the House of Delegates, By the Chairman of the Committee on Internal Improvements, in Relation to Said Company* (Annapolis, 1839), 1–22. In his report, Washington reported that the current estimated cost to complete the canal from Dam No. 5 to Cumberland was \$6,080,657, up 71 percent from the January 1836 estimate of \$3,560,619.

<sup>214</sup> *Baltimore Sun*, March 14, 1839; and *Acts Relating to the Chesapeake & Ohio Canal Company, Passed by the General Assembly of Maryland, at December Session, 1838*, 1–6.

<sup>215</sup> "Report of the Committee on Ways and Means in Reference to the Chesapeake & Ohio Canal Company, March 14, 1839," *A Short History of the Public Debt of Maryland*, Appendix P, 76–78, and *Laws Made and Passed by the General Assembly of the State of Maryland* (Annapolis, 1838), ch. 386.

<sup>216</sup> *Laws Made and Passed by the General Assembly of the State of Maryland* (Annapolis, 1838), ch. 395; *Baltimore Sun*, April 6, 7, 1839; Proceedings of Stockholders, B, 188–189; and Washington to Ingle, February 5, 1838, Ltrs. Recd., C&O Co.

<sup>217</sup> Ingle to Schley, February 28, 1837, Ltrs. Sent, C&O Co.; and Proceedings of the President and Board of Directors, E, 223–334, 337, 346, 360, 370, 429–430; *Niles' Register*, LVII (October 5, 1839), 81.

Another temporary expedient was the renewed issuance of canal script. On June 29, 1837, the directors adopted this course of action but limited the issue to notes of less than \$5.00 in value.<sup>218</sup> However, three months later, they began to issue larger notes of \$5, \$10, and \$20 denominations and periodically expanded the script printing during the following year, until by May 1838, \$376,513.50 in canal notes had been issued and \$50,000 more had been authorized but not yet issued. Thus, what had started as a stop-gap measure became a regular practice with dangerous potentialities.<sup>219</sup>

The temporary measures were taken to enable the company to continue construction operations while it negotiated for the sale of the state bonds in England. Shortly after the Assembly confirmed the bond issue, the directors appointed George Peabody as their agent in England to effect the sale. Although Auguste Belmont, the New York agent for Rothschild and Son, of London, offered to purchase \$1,500,000 of the 6 percent bonds, on May 1838, no bids were forthcoming which met the 20 percent premium required by the company's contract with the state.<sup>220</sup> Therefore the board decided to seek loans from banks on the pledge of the bonds while awaiting an improvement in the money markets. In a frenzy of hypothecation without effective safeguards, the board floated loans both in the United States and England on the pledge of Maryland bonds at 85. An example of such loan policies appeared in an advertisement in the *Baltimore Sun* on September 28, 1839:

Public sale of six percent State of Maryland stock or bonds. By virtue of an agreement between the Chesapeake & Ohio Canal Company and the Commercial and Farmers Bank of Baltimore, and as authorized thereby, there will be offered at public auction at the Exchange, in the city of Baltimore, on Wednesday, the 9<sup>th</sup> of October, 1839, at 1 o'clock P.M. for cash, eight bonds of six percent loan of the state of Maryland Nos. 93 to 100 inclusive, for the sum of five thousand dollars each, amounting in the whole to forty thousand dollars with interest from the first of April 1838.<sup>221</sup>

By January 1, 1839, banks in the United States had loaned \$490,000 and those in England, \$1,258,925.08, including exchange differences.<sup>222</sup> After the substitution of 5 percent sterling for 6 percent dollar bonds had been effected and an additional subscription of \$1,375,000 obtained, the company floated loans in America, bringing the total here to \$1,110,000.<sup>223</sup> The wholesale hypothecation of Maryland bonds at 85 to secure loans totaling \$2,368,925.08 put the canal company in an unpopular position. The directors' policy undermined the states' credit at home and abroad and threatened disaster to the company finances. The actions of the board were roundly criticized in the Assembly and the Committee on Ways and Means conducted a detailed investigation of the embarrassing conduct of canal affairs.<sup>224</sup>

The General condemnation of the directors' practices and the election of a Democrat, William Grason, in 1838 in the first popular election for Governor of the state enabled him to use influence in June 1839 to remove President Washington and the other members of the Whig-dominated canal board and appoint Democratic officials in their place.<sup>225</sup>

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<sup>218</sup> *Niles Register*, LII (July 1, 1837), 237, and Proceedings of the President and Board of Directors, E. 268.

<sup>219</sup> Proceedings of the President and Board of Directors, E, 298–299, 317, 426.

<sup>220</sup> *Ibid*, E, 391–392, 410.

<sup>221</sup> *Baltimore Sun*, September 28, 1839.

<sup>222</sup> *Eleventh Annual Report* (1839), C&O Co., Appendix 1, 23.

<sup>223</sup> *Ibid*, 12

<sup>224</sup> "Report of the Committee on Ways and Means in Reference to the Chesapeake & Ohio Company, March 14, 1839," *A short History of the Public Debt of Maryland*, Appendix P, 76–78.

<sup>225</sup> *Baltimore Sun*, January 9, 1839, and Washington to Peabody, March 5, 1839, Ltrs. Sent, C&O Co.

The principal problem facing the new president, Francis Thomas, a five-term Jacksonian loyalist in Congress from Western Maryland, and the new directors in June 1839 was the liquidation of the staggering debt, while simultaneously finding some means of pushing the construction of the canal to a successful conclusion or suspending all operations. For several months Thomas personally negotiated for the liquidation of the debt, first making an agreement with the Baltimore & Ohio to cooperate in the sale of bonds to maintain the state's credit and prevent sacrifices.<sup>226</sup>

However as its creditors were pressing for payment and threatening to effect a forced sale of the bonds hypothecated to them, the canal company was forced to sell its bonds immediately in New York, Baltimore, Washington, and London.<sup>227</sup> The total loss for the company on the \$4,065,444.42 of bonds sold was \$1,048,022.09, or nearly 26 percent of the par value.<sup>228</sup> Despite a report by the Committee on Ways and Means finding these actions to be precipitous blunders, the *National Intelligencer* was able to report in January 1840:

It is a gratification to us to be able to state...that information has been received by letters from long...of the sale of a sufficient amount of Maryland state five per cent bonds issued in behalf of the Chesapeake & Ohio Canal Company (added to the sales of said bonds made by the directors in this country) to pay all the old debts of the company to banks and bankers in the United States and in Europe, and leave a surplus for the redemption of the company's script (notes) now in circulation.<sup>229</sup>

Although the entire debt of the company arising from the hypothecation of the 5 percent bonds had been liquidated, the directors were still faced with the exhaustion of canal finances. To forestall this possibility, they authorized, on September 15, 1839, the issuance of \$300,000 more in canal script and established a trust fund of 5 percent Maryland bonds to redeem the script as it was received for tolls and rents.<sup>230</sup> Insisting that they did not want to issue the notes except in dire necessity, the board suspended the issuance of the notes in April 1840 but resumed the practice in June with an issue of over \$500,000 to pay the estimate of work done rather than abandon construction.<sup>231</sup>

The experiment with paper money again involved the company in legal and financial entanglement as disagreements with the trustees over the conduct of their affairs and the misappropriation of the trust fund led to a protracted legal controversy, a consequence of which was that over 80 percent of the latter issue was never redeemed.<sup>232</sup> Under the Thomas regime, the company continued to press the work on the unfinished portion of the canal above Dam No. 6. On the strength of its decision to issue script, the board relet abandoned contracts in December 1839.<sup>233</sup>

<sup>226</sup> McLane to Thomas, July 4, 1839; Proceedings of the President and Board of Directors, F, 95–96; and *Baltimore American*, September 15, 1841.

<sup>227</sup> Thomas to Peabody, July 18, 1839, Ltrs. Sent, C&O Co.

<sup>228</sup> *Thirteenth Annual Report* (1841), C&O Co., 27, and *Baltimore American*, September 11, 1841.

<sup>229</sup> *Washington National Intelligencer*, January 9, 1840.

<sup>230</sup> Proceedings of the President and Board of Directors, F, 108, 150–151.

<sup>231</sup> Proceedings of the President and Board of Directors, F, 233–234.

<sup>232</sup> Letter of John Gittings to the Stockholder of the Chesapeake & Ohio Canal Company (Baltimore, 1843), 1–19.

<sup>233</sup> Proceedings of the President and Board of Directors, F, 137–138.

Chesapeake & Ohio Canal Company's Script			
	Issues: 1834-1841		
When Issued	Amount	Redeemed	Outstanding Dec. 31, 1850
1834	\$128,705.00	\$128,155.00	\$550.00
1837-38	418,000.00	410,706.25	7,293.75
1839	300,000.00	294,270.00	5,730.00
1840-41	555,400.00	110,970.00	444,430.00
	\$1,402,105.00	\$944,101.25	\$458,003.75
Source	<i>Report to the Stockholders on the Completion of the Chesapeake &amp; Ohio Canal to Cumberland, 86</i>		

The board also made another application to the General Assembly on February 10, 1840, for further aid. According to the current engineers' estimates the canal from Dam No. 6 to Cumberland would cost \$4,440,350 when it was completed. Of this sum \$2,303,128 had been spent as of January 1, 1840. The company's available resources, consisting primarily of Maryland 5 percent bonds, totaled \$1,489,571, but its liabilities amounted to \$1,244,555, leaving a balance of \$245,016.<sup>234</sup>

Despite the rejection of this request by the General Assembly in the spring of 1840,<sup>235</sup> the directors pushed the work rather than suspend operations, disperse the labor force of some 2,000, and sacrifice \$150,000 worth of property, the sale of which it was thought would bring only 50 percent of its value. By continuing construction, the directors could also take advantage of the falling price of labor as the depressed economy had occasioned an average decrease in wages from \$1.25 to \$.87½ per day during the past year.<sup>236</sup>

The determination to continue construction of the waterway on the basis of the issuance of canal script was accompanied by the first large turnover of canal employees, a turn of events occasioned in part by a disagreement with the new policies and in part by the effect of the spoils system in the operation of the canal. Many old and reliable officials were dismissed or voluntarily retired, including Clerk John P. Ingle, Treasurer Thomas Filleboun, Chief Engineer Charles B. Fisk, and several divisional superintendents.<sup>237</sup> Beset by unfavorable publicity arising from the disgruntled comments of the ousted officials in the newspapers, inquiries by the new legislature concerning the directors' conduct of canal affairs, and the near exhaustion of the trust fund, the board reversed its former policy in March 1841, forbade the issuance of more script until means

<sup>234</sup> *Report from the Committee on Internal Improvement Transmitting a Communication from Francis Thomas President of the Chesapeake & Ohio Canal Company, to the Governor of Maryland* (Annapolis, 1840), 1-76.

<sup>235</sup> Maryland, General Assembly, House of Delegates, Committee on Internal Improvement, *A Report in Part from the Committee on Internal Improvement* (Annapolis, 1840), 1-18, and *Ibid, Report from the Committee on Internal Improvement, Transmitting a communication from Francis Thomas* (Annapolis, 1840) 1-76.

<sup>236</sup> *Twelfth Annual Report* (1840), C&O Co., 6; proceedings of the President and Board of Directors, F, 185-186, and *Proceedings of the President and Directors of the Chesapeake & Ohio Canal Company, in Relation to the Present Condition of the Work on the Line of the Canal; and the Report of the Chief Engineer on the Consequences of a Suspension of the Work* (Washington, 1840), 4-6.

<sup>237</sup> *Niles' Register*, LVIII (July 13, 1840), 308, and Proceedings of the President and Board of Directors, F, 246, 256-257, 259.

were provided to repay it, and prepared to suspend operations when the Assembly adjourned without providing effective aid.<sup>238</sup> Despite the criticism of the canal board's policies, the Assembly had passed a bill granting \$2,000,000 in bonds to the company on the condition that the Cumberland coal mine owners would guarantee to pay the state \$200,000 a year beginning six months after the completion of the waterway, but the latter had refused and the bill lapsed.<sup>239</sup>

In April 1841, the State of Maryland, as the controlling stockholders, ousted the Thomas directorate and installed a predominantly Whig board headed by Michael C. Sprigg as president. The new board proceeded to reform canal affairs by reinstating some of the old officials, forbidding company officers to interfere in state politics, continuing the edict against the issuance of script, and ordering that tolls be paid one-third in current money after August.<sup>240</sup>

[Anomalous citation appears on a page by itself in the Unrau text at this point: Committee on Internal Improvements, *Report of the Committee on Internal Improvements on the Condition of the Chesapeake & Ohio Canal* (Annapolis, 1841), 1–27; and *ibid*; *Minority Report of the Committee on Internal Improvement on the subject of the Chesapeake & Ohio Canal*.]

With the canal company finances near total collapse, they authorized final suspensions in August, although they later agreed to accept drafts on the company by the contractors in order to encourage them to continue the work on their own until further aid was forthcoming. An order requiring the payment of tolls in cash after April 1, 1842, ended the period of disastrous financial experiments.<sup>241</sup>

Work on the canal continued haphazardly for several more months, and then it too came to an end, not to resume on a large scale until November 1847.<sup>242</sup>

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<sup>238</sup> Proceedings of the President and Board of Directors, F, 279, 284, 297; Maryland, General Assembly, House of Delegates, 171A.

<sup>239</sup> *Baltimore American*, April 12, 1841, and January 14, 1842, and *Niles' Register*, LX (April 10, 1841), 89.

<sup>240</sup> Proceedings of the President and Board of Directors, F, 301–301, 308, 315, 359.

<sup>241</sup> *Ibid*, F, 377–378, 381.

<sup>242</sup> Fisk to Board of Directors, December 1, 1842, Ltrs. Recd., C&O Co.



#### IV. THE BELATED COMPLETION OF THE C&O CANAL TO CUMBERLAND: 1842–1851

When construction came to a halt following the exhaustion of the company's immediate financial resources, the State of Maryland the canal company directorate reviewed the condition of the project. The waterway was open to navigation as far as Dam No. 6, a distance of approximately 135 miles above Georgetown. Of the 50 miles above the Cacapon River, all but 18 miles in scattered sections were finished, but these uncompleted miles included the costly tunnel and deep cuts as well as expensive masonry works in a region lacking good building stone. By May 1841, \$10,275,034.98 had been applied to the construction of the canal, and \$1,735,849.72 had gone into interest and losses.<sup>243</sup> The time limit of twelve years allowed by the charter for the completion of the eastern section had expired in 1840, but none of the parties to the charter had raised the question of forfeiture.<sup>244</sup>

The future success of the canal was clouded by the fact that the frontier had moved far to the West during the last decade and other established transportation lines were carrying the Ohio Valley trade, a development that would be more forcefully driven home by the completion of the Baltimore & Ohio Railroad to Cumberland in 1842.

The financial condition of the canal company by January 1842 was almost entirely helpless. In that month President Sprigg reported that the unfinished portion of the canal would cost nearly \$1,545,000. The present debt of the company was \$1,196,000 above all means, most of which were unavailable. Many of the company's resources were tied up in the few remaining 5 percent bonds it owned which had been deposited with the Barings in London, in January 1840. The tolls that had been collected on the navigable portion of the canal in 1841 amounted to only \$52,500. Included in its debts was \$521,339.25 in outstanding script. Present subscriptions to the capital stock of the company amounted to \$8,359,400, of which \$151,891.64 was unpaid and all but about \$50,000 of this latter figure was lost. The State of Maryland still had a subscription of \$163,724.44 to shares of stock in the former Potomac Company, and the Chesapeake & Ohio remained in debt to the state for the \$2,000,000 loan in 1835. As a result, the state had mortgages upon the entire property of the company.<sup>245</sup>

The satisfactory sale and disposal of the 5 percent bonds in the hands of the Barings continued to be a primary goal of the canal company. There was no market for them because of the depression in England, but the situation was aggravated after Maryland failed to meet the semi-annual interest payment on them beginning July 1, 1841.<sup>246</sup> Earlier in 1839 the Barings had agreed to accept the drafts of the company for amounts up to \$200,000 providing not more than \$30,000 were drawn a month, but after slightly over \$30,000 had been advanced by December 1842, the Barings, hard pressed by the lingering tightness in the British money market, demanded some payment on the advances. If this was not forthcoming, they threatened to sell the bonds at market prices or purchase them in themselves at 50 percent, terms which the canal board flatly rejected.<sup>247</sup>

To counter the announcement of the Barings, the canal directors recommended that the coupons for 1841 and 1842, the receipt of which had been authorized in payment of state taxes by

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<sup>243</sup> *Thirteenth Annual Report* (1841), C&O Co., 28.

<sup>244</sup> Coale to Price, December 8, 1843, Ltrs. Sent, C&O Co.

<sup>245</sup> *Communication from the President of the Chesapeake & Ohio Canal Company to the Governor of Maryland, December Session, 1841* (Annapolis, 1842), 1–67, and *Niles' Register*, LXI (January 29, 1842), 352.

<sup>246</sup> Turner to Barings, January 10, 1843, and Turner to Ward, April 17, 1843, Ltrs. Sent, C&O Co.

<sup>247</sup> Barings to Peabody, November 27, December 6, 1839, quoted in Turner to Barings, January 10, 1843, Ltrs. Sent, C&O Co.

the Maryland General Assembly, be detached and sold to pay the interest due on the advanced made by the Barings. After the Barings consented to the sale of the coupons for July 1842, the canal board offered to settle the whole affair.<sup>248</sup> It proposed to sell the Barings at 65 all bonds necessary to repay the advances made and to allow the Barings to take at 85 all coupons necessary to pay the interest due on the drafts paid. The Barings promptly accepted this offer in November 1845.<sup>249</sup> The following March the transaction was formally completed when the Barings transferred the remaining bonds, comprising \$15,500 5 percent Maryland bonds with coupons of July 1, 1844, from the other bonds to the canal company.<sup>250</sup>

Meanwhile, the State of Maryland had taken steps to compel the canal company to improve its financial condition. In the spring of 1842, the Assembly ordered the sale of all property owned by the company not strictly used for construction. The directors were to receive canal script and other evidences of company debts in payment of the land.<sup>251</sup> After Chief Engineer Fisk reported on a detailed survey of the entire line of the canal on July 20, the board ordered the required sales which were finally completed during the spring of 1844. The proceeds of the sales, considerably less than the cost of the lands to the canal company, amounted to \$25,938, a pittance even when reckoned in depreciated canal script.<sup>252</sup>

Plans for the completion of the canal went on apace during the early 1840s as the canal company made repeated efforts to obtain adequate funding to finish the work. During the suspension of the work there were three principal plans advanced to accomplish this purpose.

- First, there was an attempt to secure the transfer of Chesapeake & Ohio stock held by the United States to the State of Maryland in return for a guarantee by the State to complete the eastern section of the canal.
- Second, there was a proposal to sell the state's interest in the canal to parties that would undertake the task of finishing the work.
- Third, an attempt was made to wave the state's prior liens on the canal revenues and permit the canal company to issue its own bonds to pay for the completion of the work.

The earliest form which the proposals to finish the canal took was the attempt to secure the transfer of Chesapeake & Ohio stock held by the United States to the State of Maryland. The federal government possessed \$2,500,000 of the stock, including its own commitment for \$1,000,000 and the subscriptions of the bankrupt District cities for \$1,500,000. In return for the transfer of the stock, the State of Maryland offered a guarantee to complete the eastern section of the canal, a recommendation first made at the Assembly's Committee on Ways and Means, March 19, 1839, and later incorporated in the bill providing \$1,375,000 for the canal.<sup>253</sup> Petitions to that effect were presented to Congress by Maryland Governor William Grason in 1840, Vermont Senator Samuel S. Phelps in 1840, the Maryland legislature in 1843–44, and Indiana Representative Robert D. Owen in 1844.<sup>254</sup>

<sup>248</sup> Turner to Ward, April 17, 1843, and Coale to Latrobe, September 30, 1843, Ltrs. Sent, C&O Co.

<sup>249</sup> Proceedings of the President and Board of Directors, G, 119–120.

<sup>250</sup> *Sixteenth Annual Report* (1844), C&O Co., 19–20.

<sup>251</sup> *Ibid.*, 18.

<sup>252</sup> Fisk to President and Directors, July 20, 1842, and Ingle to Coale, June 11, 1844, Ltrs. Recd., C&O Co.

<sup>253</sup> "Report of the Committee on Ways and Means, March 19, 1839," *A Short History of the Public Debt of Maryland*, Appendix P, 76–78; *Laws Made and Passed by the General Assembly of the State of Maryland* (Annapolis, 1838), ch. 386; and *Baltimore Sun*, April 7, 1839.

<sup>254</sup> U.S. Congress, House, *Message on the Chesapeake & Ohio Canal from President Van Buren, Transmitting a Letter of the Maryland Governor, William Grason, on the Transfer of Stock in the Chesapeake & Ohio Canal Company*< H. Doc. 90, 26<sup>th</sup> Cong., 1<sup>st</sup> sess., 1840; *Ibid.*, Senate, *Report of Senate S.S. Phelps on*

These petitions were supported by memorials from Maryland citizens, the most noteworthy of which was submitted by Allegany County in April 1843, and vigorously opposed by the District cities in two particularly strongly-worded statements in March and December 1840.<sup>255</sup>

After the senate passed a joint resolution providing for the transfer of the stock to the State of Maryland and the District cities on July 20, 1842, a committee of the city of Washington effectively denounced what it termed the selfish attitude of the State of Maryland towards the canal in a report that appeared to prevent passage of the resolution in the House.<sup>256</sup> The report stated in part:

Coupled with the act (of 1839) authorizing this last subscription, was a direction to the Governor to ask of Congress a surrender to the State of the \$2,500,000 of stock, originally subscribed by the United States, and the Corporation of Washington, Georgetown, and Alexandria; and if granted, the State pledged herself to buy out all individual stockholders at 50 per cent. But on the 23<sup>rd</sup> of February, 1841 (fifteen days after the Senate of the United States had passed a resolution giving her the said \$2,500,000 of stock, and had sent it to the House of Representatives for concurrence and when it was expected that the House would also pass it), a bill was introduced into the Senate of Maryland, and instantly passed both branches of the legislature, quietly revoking this obligation to which she had pledged herself to Congress to pay the private stockholders 50 percent.<sup>257</sup>

Supporters of the transfer were unable to secure agreement in Congress on the resolutions providing for the transfer. Additional resolutions were introduced in either the House or the Senate annually from 1840 to 1844, but neither chamber could find grounds to approve the other's version.<sup>258</sup> The best chance for Congressional approval of the transfer came in 1842 when on July 20 the Senate passed a joint resolution providing for the transfer of the stock to the State of Maryland and the District cities, on the condition that Maryland would agree not to foreclose its mortgage.<sup>259</sup>

The District cities promptly consented to this solution, but at the same time condemned the passage of the aforementioned bill by the Maryland General Assembly revoking the state's

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*the Chesapeake & Ohio Canal Company Stock*, S. Doc. 63, 26<sup>th</sup> Cong., 2d sess., 1841; *Ibid*, *House Resolution of the Maryland Legislature for the Transfer of Chesapeake & Ohio Canal Company Stock by the United States to Maryland*, H Doc. 71, 27<sup>th</sup> Cong., 3d sess., 1843; *Ibid*, *House Report of Representative Owen on the Transfer of Chesapeake & Ohio Canal Company Stock*, H Rept. 56, 28<sup>th</sup> Cong., 1<sup>st</sup> sess., 1844; *Ibid*, *House Resolution of the Chesapeake & Ohio Canal Company Stock to Maryland*, H. Doc. 227, 28<sup>th</sup> Cong., 1<sup>st</sup> sess., 1844.

<sup>255</sup> U.S., Congress, House, *Memorial of the Citizens of Allegany County for the Surrender of the United States Stock in the Chesapeake & Ohio Canal Company to Maryland*, H. Doc. 202, 27<sup>th</sup> Cong., 2d sess., 1843; *Ibid*, Senate, *Memorial of the City of Washington Against the Transfer of Stock Held by the United States in the Chesapeake & Ohio Canal Company*, S. Doc. 277, 26<sup>th</sup> Cong., 1<sup>st</sup> sess., 1840; and *ibid*, Senate, *Memorial of the City of Washington Against the Transfer of Stock of the Chesapeake & Ohio Canal company*, S. Doc. 30, 26<sup>th</sup> Cong., 2d sess., 1840.

<sup>256</sup> *Niles' Register*, LXII (July 23, 1842)

<sup>257</sup> *The committee of the Corporation of Washington Appointed to Demonstrate Against the Surrender to the State of Maryland of the Stock Held by that Corporation in the Chesapeake & Ohio Canal* (Washington, 1842), 1.

<sup>258</sup> *Niles' Register*, LVIII (July 18, 25, 1840); *Ibid*, LIX (January 16, February 13, 1841), 156, 233, 251, 283, 379; *Ibid*, LXII (May 7, June 11, June 18, July 2, August 13, 1842), 156, 233, 251, 283, 379; *Ibid*, LXV (December 23, 1843, Feb. 17, 1844), 271, 396; *Ibid*, LXVI (March 2, 9, April 20, 1844), 12–13, 17, 126; and *Ibid*, LXVII (December 21, 1844), 254.

<sup>259</sup> *Ibid*, LXII (July 23, 1842), 334.

pledge to pay the private stockholders 50 percent for their holdings.<sup>260</sup> Maryland insisted, however, that it must receive the stock before it would borrow further to complete the work, asserting that its position was based on the premise that the United States was responsible for the increased size and cost of the canal and therefore obligated to assist the state by assuming the expense of its completion, by direct relief, or by the transfer of the stock in its hands.<sup>261</sup> Because of the intransigence of Maryland, coupled with the apparent lack of unanimity in Congress and the seeming indifference of the canal company, efforts were dropped after 1844 to effect the stock transfer.<sup>262</sup>

A second scheme advanced to provide for the completion of the canal was the proposal to sell the state's interest in the canal to parties that would undertake the task of finishing the work.<sup>263</sup> Proposed even before the failure of the efforts to secure the stock transfer, this plan sought to connect the settlement of canal affairs with the solution of Maryland's financial problems. After the Whigs succeeded in breaking a Democratic filibuster, the General Assembly in March 1843 passed a bill setting the price for the state's interest in the canal at \$5,000,000 in state bonds.<sup>264</sup>

However, the difficulties and uncertainties of completing the waterway were so great that no interest was shown in the sale. In the absence of any offers, the canal company undertook in 1844 to sell itself to prospective purchasers, arguing that \$5,000,000 in Maryland bonds at the current depreciated value of 62½ would be a bargain.<sup>265</sup> The company, in a comic opera episode, even contemplated buying itself from the state by offering canal bonds to Maryland for \$5,000,000, presumably to be exchanged by the state for its own bonds.<sup>266</sup>

A third proposal to complete the canal called for the state to waive its prior liens on canal revenues and permit the company to issue its own bonds to pay for the completion of the work. Like all the other projects designed to complete the eastern section of the canal, this plan was bitterly opposed by the Baltimore & Ohio and the City of Baltimore. This battle was graphically portrayed in an exchange of letters between "Delta" and "Maryland" in the *Baltimore Sun* and the *Baltimore American* during January–March 1841, for and against the completion of the canal respectively.<sup>267</sup> The proposal was also criticized because it did not provide relief for the financial condition of the state, a problem that made it appear to be a last-ditch effort to save the waterway.

The first attempt was made during the December session to the General Assembly in 1841. Disagreement between the House of Delegates and the Senate prevented the passage of the bill and provoked the following remonstrance in *Niles' Register*:

<sup>260</sup> *Ibid.*, LXIII (January 21, 1843), 336; U.S., Congress, Senate, *Memorial of Georgetown Approving the Transfer of United States Stock in the Chesapeake & Ohio Canal Company to Maryland and the District of Columbia Cities*, S. Doc. 343, 27<sup>th</sup> Cong., 2d sess., 1842; and *Ibid.*, Senate, *Resolution of Alexandria Approving the Transfer of the Stock of the United States in the Chesapeake & Ohio Canal Company to Maryland and the District of Columbia Cities*, S. Doc. 344, 27<sup>th</sup> Cong., 2d sess., 1842.

<sup>261</sup> *Niles' Register*, LXVI (March 2, 1844), 12, and *Speech of John M.S. Cousin, Esq., in the House of Delegates of Maryland, on the Preamble in the Resolution, Introduced by Him, on the Subject of Relief to the States, by the Issue of Two Hundred Millions of government Stock, Based Upon a Pledge of the Proceeds of Public Lands, Delivered Jan. 31<sup>st</sup>, & Feb. 1<sup>st</sup>, 1843* (Annapolis, 1843), 5–28.

<sup>262</sup> Coale to Young, December 13, 1843, Ltrs. Sent, C&O Co.

<sup>263</sup> Proceedings of the President and Board of Directors, G, 11.

<sup>264</sup> *Baltimore American*, March 9, 10, 13, 15, 1843; and *Laws Made and Passed by the General Assembly of the state of Maryland* (Annapolis, 1842), ch. 301.

<sup>265</sup> Coale to Ward, March 14, 1844, Ltrs. Sent, C&O Co.

<sup>266</sup> Proceedings of the President and Board of Directors, G, 40.

<sup>267</sup> Sanderlin, *The Great National Project*, 145, and *Delta: Or What Ought the State to Do with the Chesapeake & Ohio Canal* (Baltimore, 1841), 1–47.

The unfortunate disagreement between the two houses of the legislature of Maryland, in relation to amendments to the bill for completing this stupendous work to the coal and iron regions of Allegany county, which alone can bring the work into profitable operation, will have the inevitable effect of suspending all operations for the year, and leave the unfinished work to certain dilapidation, the contracts subject to expensive litigation, and the state saddled with the interest occurring upon seven millions of dollars invested in the undertaking,—and this is the more to be regretted, because the bill contemplated no new demand upon the treasury, arrangements having been negotiated by which it is understood that capitalists, contractors, and engineers would undertake to finish the work to the mines, provided the state would agree to postpone its preference to the proceeds of the canal until the claims for advances now require to complete it, shall be satisfied.<sup>268</sup>

The legislature's inaction raised such an uproar in the Western counties that large meetings convened and sent appeals to Governor Francis Thomas to call a special session of the Assembly.<sup>269</sup>

The attempt was renewed in the December session 1842, with its proponents again advancing the often-used argument that "completion of the public works was forever to exonerate" the citizens of Maryland "from taxation on their or any other account." According to the supporters of the plan, the bill would allow the canal company to pay its "own way" and "never take one dollar out of the State Treasury."<sup>270</sup> Despite the pressure brought to bear for the bill, the enemies of the canal succeeded in defeating it a second time. Concerning this second defeat of the plan, *Niles' Register* remarked:

This most splendid and amongst the most promising and important of all the canals in this country seems fated to have to encounter every species of the stock that can be conceived....Fated as we have been, to listen week after week to long labored speeches, and to watch, session after session, the under currents, of unnumerable little interests, each tugging as if for life, to accomplish its own design, without hardly for a moment regarding the public interest,—we grow almost sick at the contemplation of new difficulties and provoking obstacles to the progress of the work....

The proposition to waive the lien of the state in favor of contractors who would undertake to finish the canal, was very earnestly debated in the legislature both last session and the session before, but did not prevail. The canal has been at a stand still, until the state either determines with its own resources or credit, to finish the work, or otherwise consent to forgo its liens in favor of whoever will, with their own resources, finish it. The actual opponents of the canal, of which there is a party (Democrats) in the state, sorry we are to say, throw their weight first in one and then in the other scale, and thereby prevent either expedient from being adopted.<sup>271</sup>

After a summer that saw increased agitation for a solution to the stalemate, the proposal to waive the state lien was re-introduced in the 1843 December session of the Assembly. The bill provided for the redemption of the existing script and certificates of indebtedness, principal, and interest by an issue of \$100 six percent bonds of the company redeemable in twenty years. In return the state would surrender its liens against the canal, or it would permit the work to be paid for in company stock.

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<sup>268</sup> *Niles' Register*, LXII (March 26, 1842), 52.

<sup>269</sup> *Ibid.*

<sup>270</sup> *A Short History of the Public Debt of Maryland*, 48.

<sup>271</sup> *Niles' Register*, LXIV (August 12, 1843), 372–373.

Opponents of the canal also inserted a provision authorizing a slackwater navigation to the mouth of the Savage River to be paid for by the issuance of 6 percent bonds redeemable in thirty years out of a sinking fund based on the revenue derived from that portion of the work. The latter provision stirred a serious controversy over the bill for the canal to Cumberland among those who were unalterably opposed to any further westward expansion.<sup>272</sup> Both the Whig and Democratic Party conventions in Frederick County came out in support of the measure. In his annual message to the legislature in December 1843, Governor Thomas observed that

Whatever may be the opinions entertained, as to the policy of undertaking this great enterprise, with the means of Maryland almost alone, there ought to be now no diversity of sentiment, as to the justice and patriotism of essaying, to open a Canal communication from Cumberland to Tide Water.<sup>273</sup>

Opponents of the bill, principally the Baltimore & Ohio interests, used two persuasive arguments in the attempt to prevent the extension of the canal. First, the railroad already had been completed to Cumberland in 1842. Second, the canal and railroad companies had reached an agreement on September 21, 1843, whereby the latter would transport coal from Cumberland to the Canal at Dam No. 6, at 2 cents a ton per mile, providing that the amount of coal so carried would not interfere with its own business or require a material increase in facilities. Thus, the Baltimore & Ohio interests urged the Assembly to make this agreement permanent, that the railroad act as a feeder for the canal, thereby dispensing with the need for the completion of the waterway to Cumberland.<sup>274</sup>

The proponents of the bill, led by Delegate John Johnson of Anne Arundel County and canal company President James M. Coale, attempted to offset the effect of the railroad's arguments. In a major speech before the House of Delegates on February 27–28, Johnson urged that the canal's completion be funded from the future revenues of the waterway.<sup>275</sup>

President Coale made a thorough analysis of the whole question in a special report to the stockholders on November 16, 1843, which gained widespread publicity in the coming months. The decisive point of the report was his calculation of the amount of trade required to pay to the state annual occurring interest of \$382,500 on the bonds it had issued for the canal:

Taking it for granted—and we have no doubt of the fact—that the revenues from the other trade on the canal, intermediate and ascending, will hereafter be sufficient to pay expenses and keep the canal in repair and that the State of Maryland must look to the tolls from the coal trade as the means of enabling the Company to pay the interest on the State's investments, and the inquiry presents itself as to the amount of towage of that description that will be required for the purpose, from the point in question.

From the depot at Dam No. 6 to Georgetown is 136 miles. The toll, at half a cent per ton per mile, with the usual boat duty, amounts to 73 7/10 cents per ton for said distance. To pay, therefore, \$382,500 per annum, will require the transportation of 518,996 tons per annum, or 1,730 tons per day, allowing 300 days to a navigable year. The tonnage of the coal cars on the railroad is at present only five tons, but we understand that

<sup>272</sup> *Ibid.*, LXV (February 3, 1844), 368.

<sup>273</sup> *Ibid.*, LXV (September 9, December 30, 1843), 19, 276.

<sup>274</sup> Coale to Ward, March 14, 1844, Ltrs. Sent, C&O Co.; Proceedings of the President and Board of Directors, G, 97–100, 115; and Proceedings of Stockholders, C, 192–193.

<sup>275</sup> *Speech of John Johnson, Esq., on the Bill to Provide for Completing the Chesapeake & Ohio Canal from the Revenues of the Work* (Annapolis, 1844), 1–19.

the Company contemplates running cars which will carry six tons. To transport the requisite quantity, then, will require 289 cars to be running daily; and they can make but one trip per day. To keep up a constant trade, the same number must every day be at the mines or at Cumberland, receiving their loads, making in all 578 cars. Supposing 13 cars to be drawn by each locomotive and there would have to be 22 trains daily running on a single track between Cumberland and Dam No. 6—a distance of 45 miles! Clearly, the Railroad Company could not support the coal trade to this extent.<sup>276</sup>

The bill was defeated in the House of Delegates early in March 1844 by a vote of 42 to 35.<sup>277</sup>

A modified bill to accomplish the same purpose also lost out shortly thereafter despite a mass meeting held by friends of the canal at the Allegheny Court House in Cumberland to which “every man (who) is alive and well” was to attend to determine “the course necessary to be pursued by the people of Allegheny in the present crisis.”<sup>278</sup> Ironically the canal company had enough influence in the Assembly to bring about the defeat in the same session of bills sponsored by the Baltimore & Ohio interests providing for the reduction of fares on the Washington branch of the railroad and for the extension of the main line west of Cumberland.<sup>279</sup>

During the protracted battle in Annapolis over the proposal to waive the state’s prior lien, the directors prepared for the resumption of construction by soliciting contracts in the fall of 1841 and in each of the following two years in anticipation of aid from the Maryland legislature.<sup>280</sup> All the bids were conditioned on the waiver of Maryland’s claims, except for the Letson-Rutter proposal in April 1843 which the directors rejected because of some undesirable conditions in its terms.<sup>281</sup> The board also sent inquiries to England concerning the availability of funds to complete its work if the state waiver became law.<sup>282</sup>

Despairing of aid from the Maryland legislature, the directors again appealed unsuccessfully to Congress, recommending an additional subscription of \$2,500,000 or the setting aside of 2,000,000 acres of public land for the canal, as was proposed in pending legislation providing aid for the Illinois and Indiana canals.

As a result of the controversy over the Letson-Rutter contract proposal, the board on May 4, 1843, established the terms under which the contract for the completion of the canal would be negotiated. The contractors were to receive canal company bonds maturing in twenty years, bearing 6 percent interest payable every six months. Work was to begin in sixty days and the canal should be completed in two years. The maximum price at which the instrument would be negotiated was the \$1,545,000 estimate made by Chief Engineer Fisk in 1842. The canal company would provide as security for the repayment of the bonds a pledge of all revenue, subject to existing mortgages, the latter phrase contingent on the state’s willingness to waive its prior liens.<sup>283</sup>

At the urging of President Coale, the canal board devoted much of its attention to the task of securing legislature approval of the state waiver in the 1844 December session. There was considerable political excitement during 1844, which was both a national and state election year. Two major issues in the state campaign were the related questions of the state credit and the com-

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<sup>276</sup> *Special Report of the President and Directors of the Chesapeake & Ohio Canal Company, to the Stockholders on the Subject of Completing the Canal to Cumberland* (Washington, 1843), 9–10.

<sup>277</sup> *Niles’ Register*, LXVI (March 9, 1844), 17.

<sup>278</sup> *Niles’ Register*, LXVI (March 16, 1844), 38; and *Cumberland Civilian*, March 14, 1844.

<sup>279</sup> *Niles’ Register*, LXVI (March 16, 1844), 38.

<sup>280</sup> Proceedings of the President and Board of Directors.

<sup>281</sup> *Ibid.*, G, 16, 37–39, 72–73, 75–87, and Proceedings of Stockholders, C, 153–161. For more information on the ill-fated Letson-Rutter proposal, see Sanderlin, *Great National Project*, 148–150.

<sup>282</sup> Coale to Peabody, August 23, 1843, Ltrs. Sent, C&O Co.

<sup>283</sup> Proceedings of the President and Board of Directors, G, 38–40.

pletion of the canal. On the whole, the election results were favorable to both issues, as the Whig governor-elect Thomas G. Pratt and many members of the new Assembly proved to be friendly to the waterway.<sup>284</sup>

Encouraged by the political changes at Annapolis, proponents of the canal introduced a bill in the new legislature to provide for the state lien. After a long and fractious fight, the canal bill and a stamp act to provide effective means of meeting the interest on the state debt, after being initially defeated, were reconsidered and passed in the crucial House of Delegates by the thin margin of 38 to 37.<sup>285</sup> The provisions of the important canal law were as follows:

1. The canal company was authorized to issue \$1,700,000 of preferred construction bonds on the mortgage of its revenue.
2. The bonds were to be in \$100 denominations, leaving 6 percent interest, and redeemable within 35 years.
3. The bonds could not be sold until the company received guarantees from the Alleghany coal companies for 195,000 tons of trade annually for five years commencing six months after the completion of the canal to Cumberland.
4. The state's previous liens on the canal were waived in favor of the bonds.<sup>286</sup>

The passage of the two bills triggered the expected responses, with Western Maryland and the District cities celebrating the victory by staging gala parades, setting off large quantities of fireworks, and firing numerous canon while the furious city of Baltimore angrily demanded a redistribution of seats in the House of Delegates giving it greater representation and called for the repeal of both acts.<sup>287</sup>

President Coale and the canal board hastened to secure the required guarantees and to insure the full benefits of the act.<sup>288</sup> Coale went to Boston and New York to confer with officials of the Cumberland coal companies.<sup>289</sup> While in the east, an article reputedly inspired from Baltimore was published in the New York *Herald* casting great doubt on the value of the canal. It exaggerated the duration of enforced suspension of navigation during the winter months, and it emphasized the more frequent handling and transshipment of coal via the canal route and the greater damage to the coal. The canal president refuted these arguments, but the effect of their publication among financial interests in New York was undoubtedly harmful.<sup>290</sup> His attempts to submit the guarantees was further undermined by a resolution of the Baltimore City Council directing the

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<sup>284</sup> *A Short History of the Public Debt of Maryland*; 49–50, and Mandeville to Price, October 5, 1844, Ltrs. Recd., C&O Co.

<sup>285</sup> *Niles' Register*, LXVII (February 22, 1845), 400; *Ibid*, LXVIII (March 8, 1845), 16; and *Communication from the President and Directors of the Chesapeake & Ohio Canal Company to the Governor of Maryland*, January 15, 1845 (Annapolis, 1845), 1–35.

<sup>286</sup> *Laws Made and Passed by the General Assembly of the State of Maryland* (Annapolis, 1844), ch. 281; and *Niles' Register*, LXVIII (March 15, 1845), 23–24. A mortgage according to the provisions of the sixth section of the act was executed on June 6, 1848.

<sup>287</sup> *Niles' Register*, LXVIII (March 15, 1845), 23; and *A Short History of the Public Debt of Maryland*, 49, 84.

<sup>288</sup> *Special Report of the President and directors of the Chesapeake & Ohio Canal Company, Submitting Certain Acts for the Acceptance of the Stockholders, 1845; Together with the Proceedings of the Stockholder Thereon* (Washington, 1845), 1–26, and *Niles Register*, LXVIII (May 3, 1845), 132.

<sup>289</sup> Proceedings of the President and Board of Directors, G, 228.

<sup>290</sup> Coale to Allen, May 13, 1845, Ltrs. Sent, C&O Co.



railroad to run its trains into the city with coal and iron ore and to lay tracks to a new depot on the south side of the Dam No. 6 basin where boats could dock free of port charges.<sup>291</sup>

At the same time, the board conducted an extensive correspondence throughout the spring of 1845 in its efforts to assure the guarantees. Many supporters of the canal participated in the campaign, holding public meetings and giving spirited addresses “to enlist confidence in the completion of the work.” The Corporation of Alexandria passed an ordinance to indemnify any of their citizens that signed the guarantee bonds.<sup>292</sup>

As a result of these efforts, twenty-eight instruments, including both personal and corporate ones, were signed and delivered by mid-July for a total of 225,000 tons, an amount which included bonds guarantying 30,000 tons if it were necessary to fill out the total required. Governor Pratt formally accepted the guarantees and certified his approval in August 1845.<sup>293</sup>

After the guarantees were approved, the canal board made plans to let the contract. On September 23, 1845, the directors accepted the offer of Walter Gwynn, William Thompson, James Hunter, and Walter Cunningham. The state agents promptly gave their approval and the contract was drawn up and executed. The additional mortgage to the State of Maryland, required by the legislature as security for the payment of the loan made in 1834, was also drawn up and executed on January 5, 1846.<sup>294</sup> By the terms of the contract, Gwynn and Company agreed to:

1. Provide the materials of the required quality in workmanlike manner according to the modified December 1, 1842, plan and specifications drawn up by Chief Engineer Fisk.
2. Commence the work within thirty days and complete the canal by November 1, 1847.
3. Raise \$100,000 to help the company pay its contingent expenses.
4. Cash the bonds of the canal company at par, paying the interest on them until January 1, 1848.

The price to be paid for the work was set at \$1,625,000 in 6 percent canal bonds payable within 35 years.<sup>295</sup>

Work resumed on the canal within the specified 30-day time period. All the sections were sublet in mid-October, and the contractors placed a token force on the line by November 1, pending the successful negotiation for the necessary funds to finance large-scale construction.<sup>296</sup> The initial optimism engendered by the resumption of construction was echoed in a *Niles' Register* editorial that “Day is dawning again after a long gloomy night.”<sup>297</sup> By May 1, 1846, however, the work done amount to only \$55,384 and the work force had dwindled from some 300 to only 10 in June.<sup>298</sup>

The economic uncertainties caused by the outbreak of hostilities between the United States and Mexico on April 25, 1846, prevented any successful negotiations to acquire the necessary funding, and the negotiations totally collapsed in July when a \$10,000,000 loan was floated

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<sup>291</sup> *Niles' Register*, LXVIII (April 12, 1845), 85.

<sup>292</sup> *Ibid.*

<sup>293</sup> Proceedings of Stockholders, C, 497; Proceedings of the President and Board of Directors, G, 288, *Eighteenth Annual Report* (1846), C&O Co., 4–5; and *Niles' Register*, LXVIII (August 2, 1845), 341.

<sup>294</sup> Proceedings of the President and Board of Directors, G, 317–318, 320–323, 353–354.

<sup>295</sup> *Eighteenth Annual Report* (1846), 8–9.

<sup>296</sup> *Niles' Register*, LXIX (October 25, November 29, 1845), 128, 198; and *Eighteenth Annual report* (1846), 10–11.

<sup>297</sup> *Niles' Register*, LXIX (November 8, 1845), 147.

<sup>298</sup> *Eighteenth Annual report* (1846), 25; and Fisk to President and Directors, June 25, 1846, Ltrs. Recd. C&O Co.

by Congress to finance the war, thereby drawing off most of the available money.<sup>299</sup> Work on the canal ceased entirely that month and remained suspended through most of 1847.

The negotiations for the sale of the bonds had been under way since before the formal signing of the contract in September 1845. Efforts by the company itself and by Senator Daniel Webster, who as Secretary of State in the Harrison and Tyler administrations had made influential contacts in London, to effect a loan in England, failed in September 1845 when the Barings, undoubtedly influenced by the mounting tensions between the United States and Mexico over the American annexation of Texas, declined to take any part in it.<sup>300</sup>

Subsequent attempts to complete the necessary arrangements were progressing in the spring of 1846 when all efforts to interest London merchants failed with the outbreak of the Mexican War. The attitude of the Barings also was influenced by a report made at their request by William H. Swift and Nathan Hale in 1846, estimating the cost of completing the canal to Cumberland, the prospects of income to be derived from the coal trade once it was finished, and the comparison of transportation costs on the waterway and railroad.<sup>301</sup> The contractors then turned to American banking interests in New York, the District of Columbia, and Richmond for assistance, but these arrangements failed in July 1846 largely as the result of the federal monetary efforts to finance the war.<sup>302</sup>

As the tight money market eased somewhat in the spring of 1847, negotiations with the American capitalists resumed. By this time, several events had measurably improved the prospects affecting the sale of the bonds. On March 8, Maryland had shored up the credit of both the state and the canal company by making provision for the payment of the arrears of its debt and for prompt payment of the semi-annual interest in the future.<sup>303</sup> That same day the Virginia Assembly had authorized the state treasurer to guarantee \$300,000 of the canal bonds.<sup>304</sup> The corporation of Georgetown and Washington had authorized the loan of \$25,000 and \$50,000, respectively to the contractors in exchange for the canal bonds, while the citizens of Alexandria took up a private subscription for \$25,000 for the same purpose.<sup>305</sup>

Tentative arrangements made in Boston on May 11, provided for the distribution of the entire estimated sum of \$1,100,000 cash needed to finish the canal among:

Virginia	\$300,000
The District cities	\$100,000
Boston interests	\$200,000
The Barings	\$300,000
The contractors	\$200,000 <sup>306</sup>

The negotiations were temporarily threatened by the withdrawal of the Barings because of a sudden growing tightness in the European money market, the rapid rise in the rate of interest charged by the Bank of England, and increasing apprehension of a large reduction of bullion and specie

<sup>299</sup> Justin Smith, *The War with Mexico* (2 vol., New York, 1919), II, 258–259; Cox to Coale, July 10, 1846, Ltrs. Recd., C&O Co.; and Proceedings of the President and Board of Directors, G, 443.

<sup>300</sup> *Ibid.*, G, 311; and Karl Jack Bauer, *The Mexican War: 1846–1848* (New York, 1974), 3–11.

<sup>301</sup> William H. Swift and Nathan Hale, *Report on the Present State of the Chesapeake & Ohio Canal* (Boston, 1846), 1–99.

<sup>302</sup> *Eighteenth Annual Report* (1846), 11.

<sup>303</sup> *Nineteenth Annual Report* (1847), 4–5.

<sup>304</sup> *Report to the Stockholders on the Completion of the Chesapeake & Ohio Canal to Cumberland*, 106.

<sup>305</sup> *Ibid.*

<sup>306</sup> *Nineteenth Annual Report* (1847), C&O Co., 4–5, and *Niles' Register*, LXXII (May 22, 1847), 179. The actual estimated sum was \$1,172,116.

by British banks. [A note appears at this point to “insert p. 213a,” which is missing] However, it was fully expected that the rapid increase in the supply of money here would enable American bankers to make up the difference.<sup>307</sup>

The negotiations were finally carried to a successful conclusion by Nathan Hale and John Davis of Massachusetts and Horatio Allen of New York, acting as agents for the contractors. The Board drew up and executed the mortgage of the canal’s revenues in the fall of 1847. It named Phineas Janney of Alexandria, W.W. Corcoran of Washington, David Henshaw, and George Morey of Boston, and Horatio Allen of New York, as representatives of the twenty-nine capitalists in New York, Boston, and Washington who had undertaken the sale of the bonds. Their withdrawal was influenced also by the opinion of their Boston agent that the canal could not be completed for the proposed \$1,100,000 and that it is unlikely that the waterway could dispose of all of its authorized 1844 bonds without serious loss.<sup>308</sup>

By the terms of the final agreement, the capitalists agreed to take \$500,000 of the bonds and the subcontractors \$200,000, in addition to the \$400,000 already pledged by the State of Virginia and the District Cities. The aggregate sum of these bonds and pledges sufficient, according to current estimates, for all the incidental expenses for engineering, salaries, damages for land, right of way, and interest on the bonds. In addition, the amount of \$192,000 was left over and placed in the hands of the trustees to cover any deficit. The optimism created by this agreement was reflected by the *National Intelligencer* on October 5:

We may therefore with entire confidence congratulate our fellow citizens of this District and of the states of Maryland and Virginia, not only them, but the country at large, that the managers of this important work have at length surmounted all the difficulties which have so long arrested it and that there is every prospect of its early completion to Cumberland.<sup>309</sup>

Active operations on the canal between Dam No. 6 and Cumberland resumed on November 18, 1847, under a modified contract. The old firm, Gwynn & Co., was reorganized as Gwyn and Cunningham retired. The remaining partners, Hunter and Thompson, continued with the addition of a third partner, Thomas G. Harris of Washington County, Maryland. The terms of the contract provided that the new firm, Hunter, Harris & Co., would receive no money until the canal was completed to Cumberland. The deadline for the completion of the work was set at October 1, 1849. Prices in the new contract were not to exceed the 1845 allowances by more than 12½ percent.<sup>310</sup>

To speed the work and reduce the cost of construction, the canal board incorporated in the contract some changes in the construction plans including the adoption of the composite plan for Locks Nos. 58–71 and the postponement of building lockhouses and of arching the Paw Paw Tunnel until after the canal was formally opened to Cumberland.<sup>311</sup>

With the resumption of construction, many of the old problems returned to hinder the progress of the work. Among the major obstacles to the work were the sickness and the scarcity of available laborers, the slow sale of the bonds, and the excess of costs over estimates. In spite of

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<sup>307</sup> *Niles’ Register*, LXXII (July 10, 1847), 293, and *Twentieth Annual Report* (1848), C&O Co., 3–5.

<sup>308</sup> *Report to the Stockholders on the Completion of the Chesapeake & Ohio Canal to Cumberland*, 106–107.

<sup>309</sup> *Washington National Intelligencer*, October 5, 1847; Proceedings of the President and Board of Directors, H, 92, 94–96; and *Twentieth Annual Report* (1848), 5–6.

<sup>310</sup> *Twentieth Annual Report*, 7–8, and *Washington National Intelligencer*, October 5, 1847.

<sup>311</sup> Proceedings of the President and Board of Directors, G, 285.

these distractions, however, the force employed on the line increased to 1,447 men and 594 work animals by May 1849.<sup>312</sup>

The difficulties experienced by the contractors in selling their bonds brought their financial trouble to a head on March 11, 1850. Work was suspended for several days, and the workers, who had been unpaid for some time, threatened violence unless they received their paychecks. The trustees, Davis, Hale, and Allen, took over the contract of assignment from Hunter, Harris & Co., and resumed work. The date for the completion of the canal was extended to July 1 and then August 1.<sup>313</sup>

These arrangements proved to be futile, for on July 15 the trustees' resources were exhausted and work again stopped. The canal board declared the contract abandoned two days later and negotiated a new one on July 18 with Michael Byrne, a Frederick County contractor who had done considerable work on the canal in the 1830s. Under this contract, Byrne was provided with \$3,000 cash and \$21,000 in bonds.<sup>314</sup>

By October 10, 1850, the work had progressed so that the "50-mile section" between the Cacapon River and Cumberland was formally opened to navigation. Gala ceremonies were held in Cumberland on that date celebrating the events with numerous speakers extolling the economic importance of the canal to the nation and more particularly to the State of Maryland. Two weeks later the Frederick *Examiner* commented that:

We earnestly hope and feel persuaded that these expectations will not be long before Maryland can hold her head proudly up and say—I am out of debt, and prosperity is before me. I now take rank with the proudest of the Sister States of this glorious confederacy.<sup>315</sup>

After more than twenty-two years of alternating optimism and despair, the eastern portion of the waterway was completed nine years after the railroad had reached Cumberland and two years before it reached the Ohio River at Wheeling.

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<sup>312</sup> *Ibid.*, 14, 274–275; *Twenty-First Annual Report* (1849), C&O Co., 3–7, 24–25; and *Application of Hunter, Harris & Co. to the Chesapeake & Ohio Canal Company for Relief* (Baltimore, 1853), 1–45.

<sup>313</sup> Proceedings of the President and Board of Directors, H, 349, 365; and *Twenty-Second Annual Report* (1850), C&O Co., 5–7.

<sup>314</sup> Proceedings of the President and Board of Directors, H, 369–372.

<sup>315</sup> Frederick *Examiner*, October 23, 1850.

## V. SUMMARY

Altogether the construction of the canal cost \$11,071,075.21 or \$59,618.61 per mile.<sup>316</sup> This large expenditure compares favorably with the original estimate for the canal by the U.S. Board of Engineers in 1826, but it compares rather poorly with the original estimate made by Geddes and Roberts. The estimate by the Board of Engineers for a canal 48 feet wide at the surface, 33 feet wide at the bottom, and 5 feet deep, extending from Georgetown to Cumberland was \$8,177,081.05, or \$43,963 per mile. However, this estimate made no allowance for land purchases, engineering expenses, or other contingencies, with the exception of a provision of \$157,161 for fencing. Thus when the actual cost of land purchases (\$424,723.91), engineering expenses (\$429,845.94), incidental damages (\$28,870.09), and company salaries (approximately \$80,000) were added to the estimate, the total was \$983,359.99 after subtracting the fencing provision. Comparing this figure with the actual cost of the canal, one finds that the cost over-run was \$2,087,816.22, or 18.9 percent, a statistic that could easily be justified by the rising inflation of the period.<sup>317</sup>

On the other hand, a comparison of the actual cost of the canal with the 1827 estimate by Geddes and Roberts, on which the original stock subscription and construction operations were based, demonstrates the faulty financial presumptions under which the project was undertaken. The two civil engineers estimated that a canal 60 feet in width at the surface, 42 feet in width at the bottom, and 5 feet in depth extending from Georgetown to Cumberland would cost \$4,479,346.93 or \$23,985.79 per mile. Their estimate, like that of the Board of Engineers, did not contain any allowances for the purchase or condemnation of land, but, unlike the earlier estimate, it did include a ten percent allowance for contingencies. When the actual cost of land purchases, engineering expenses, incidental damages and company salaries is added to, the eastern section total is \$5,412,786.87, a figure that includes the ten percent contingency allowance. Comparing this amount with the actual cost of the canal, one finds that the cost over-run was \$5,658,389.34, or 51.1 percent.<sup>318</sup>

This study of the financial origins, planning, and organization of the Chesapeake & Ohio Canal Company offers many clues as to the successes and failures of the waterway project. The various attempts to improve the Potomac River route as a channel for trade between the western hinterlands and the eastern seaboard originated in the rivalry between the merchants and capitalists of the eastern seaports. While the western merchants and farmers generally supported the canal proposals, the impetus and the capital, came from eastern sources, thereby reflecting the contemporary faith of eastern finances in the profit-making potential of this East–West transportation route in the period of American economic expansion after the War of 1812. Yet private support was insufficient for the realization of the projected improvement from Georgetown to Pittsburgh,

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<sup>316</sup> *Report to the Stockholders on the Completion of the Chesapeake & Ohio Canal to Cumberland* 112–113. This sum was the figure given by President Coale to the stockholders on February 27, 1851, in his report on the completion of the canal. It does not include interest or repair costs. The interest on the capital stock and bonds borrowed by the company greatly enlarged this sum. As the company continually faced financial hardship, it generally was in arrears on its interest payments. For example, the unpaid interest on the Maryland stock and bonds amounted to \$14,344,495 by May 1877, in Arthur Pue Gorman's scrapbooks, the Southern Historical Collection, University of North Carolina, Chapel Hill. See also, *Baltimore Gazette*, June 1872, in *Ibid.* [Note that "the aggregate length of the lines of the Baltimore & Ohio in 1850, including the Washington branch, and the extensions in Virginia, was 208 miles, which had cost \$15,243,426." This represents a cost of \$73,285.70. See ch. 20, *Development of Transportation Systems in the United States* by J.L. Ringwalt—Editor of *Railway World*—1888.—kg]

<sup>317</sup> *Ibid.*, 112–113.

<sup>318</sup> House Document 192, 5–6, 98.

and from the very inception of the Chesapeake & Ohio, its promoters sought state and federal government subscriptions. Along with these subscriptions went active participation in, and control of the enterprise by the governments concerned, a seeming anomaly in the legendary age of *laissez faire*.

The experiences of the canal company during years of construction reflected the general pattern of the history of other American canals. Formally inaugurating its project with federal and state financial assistance, the company plunged into the race for the western waters in competition with rival works in the neighboring states and the Baltimore & Ohio Railroad in the same state. Its rapid progress was interrupted by a series of obstacles arising from the undertaking of such an extensive work in a thinly populated and rugged river valley with insufficient engineering expertise. Unexpected obstacles in excavation, the shortage of good building materials, the absence of an adequate labor force, widespread ill health during the summer construction season, disputes with local proprietors over land purchase, and trouble with contractors over rising costs, delayed the progress and increased the cost of the project.

These problems were exacerbated by the canal board's decision to build a 60-foot wide waterway, the general inflation and national economic cycles of the period, the difficulties in securing adequate funds on a continuing basis, the attitude of the Jackson Administration toward federal support of internal improvement projects, and the injection of Maryland state politics into canal affairs. The period of actual construction was thus characterized by alternating cycles of optimism and pessimism similar to those on other public works of the period.