

## Introduction

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The railway system was created in the 19<sup>th</sup> century and the network increased parallel to the rise of the national states in Europe. So it was no accident that railway history had been written as national railway histories for a long time.

There is no lack of academic railway studies for each country in Europe and most of the countries in the world. There existed a long list of national railway histories - rich in details, fruitful but each separated for only a part of the network. But the whole network and its historical importance is more than the sum of its parts. The German railway history, the English, the Italian, French, Spain, Portuguese, Finnish, Norwegian, Russian and so on deliver no understanding of the European network as an European-wide communication structure and the same we can say from the global network.

We can figure out the problematic on the German example. In 1935 the German Railway Company "Deutsche Reichsbahn" celebrated the anniversary of the German railways. For that purpose there was written a big volume entitled "Hundert Jahre deutsche Eisenbahnen" (One hundred years of German railways). In it the authors described and characterised the German network as a pure German invention - with only one little exception. The locomotives for the first German railway line from Nuremberg to Fürth had been delivered by an English company. This was the locomotive factory of Robert Stephenson. The rest of the story is a tale how speedily the lack of knowledge and engineers capacity had been substituted by German strength and innovations. English knowledge was overtaken by German engineers, English steelworks and railway factories were replaced by German factories and at the end the state formed the biggest railway company in the world with nearly one million employees in the 1930s. To serve the nation, that was at the end the conclusion of the authors of this book at that time. "The aim that German railways had served

for one hundred years to be the instrument for a deeply rooted feeling of community of all Germans. This aim of an absolute unity and uniformity did the railways itself reach only after long and troublesome fights and harmful set-backs.”

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But this story covered and hide serious parts and elements of the Germany railway network. It was not only the work of German engineers, German entrepreneurs, German workers, German investors and German state officials, it was also supported by foreign innovations and foreign capital. One of the first big projects – the railway line from Cologne to Aachen and onwards to Antwerp – was financial supported on the German side by the Belgian state.

For a broader understanding of the railways in the world and for digging out forgotten and covered parts of the whole story – of the international story – we have to take into consideration above all three elements:

- First, the railway system of each country was in most cases an open system with connections to the railway networks of the neighbouring countries. It was possible to run through-going trains between the nationalities. For that purpose there existed and still exists international treatments on technical standards prepared, proposed and controlled by international organisations that had been constituted in the first decades of the railway history - above all the UIC.

It was – to deliver an example – the particular proud of different European railway companies to finish the first central European traffic axe from Paris to Warsaw exactly at the middle of the 19<sup>th</sup> century. This was fifteen years after the start of the German railway construction and 20 years after this innovation had been established as a working system.

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<sup>1</sup> “Das Ziel, dem die deutschen Eisenbahnen ein Jahrhundert lang gedient haben – Werkzeuge eines tiefinnerlich verwurzelten Gemeinschaftsgefühls aller Deutschen –, das Ziel einer vollkommenen Einigkeit und Einheitlichkeit haben die Bahnen selbst erst nach langen, schweren Kämpfen und scherzlichen Rückschlägen erreicht.” Hundert Jahre deutsche Eisenbahnen. Jubiläumsschrift zum hundertjährigen Bestehen der deutschen Eisenbahnen. Berlin 1935, 39.

- Second, we have to view the internationality of know how. Many innovations had been overtaken, adapted or exported from one country into another one.
- Third, foreign capital had played a bigger role in creating the different national railway system than it had crossed the mind of the authors of the German anniversary book and I would like to express the opinion a bigger role than many historians assume up today. This means vice versa that many railway companies and investors in the field of railways were engaged in exporting know how and capital abroad into foreign countries and all over the world.

In 1957 Michael Robbins asks in an article "What kind of railway history do we want?". In there he comes to the – for him – most important question in railway history: "But the greatest of all the "whys" is: "Why was such and such a railway able to find the money to get it built?"<sup>2</sup> In many cases they found such money abroad - across the borders.

To come back to the German case. We know well the example of the Deutsche Bank and its engagement for a railway line from the Balkan states over the Ottoman Empire to Bagdad and all its consequences for the troublesome imperialistic politics of the European states around 1900. On the foundation of files that came back from Russian Archives after the end of the Cold War Angelika Raab-Rebentisch wrote an exciting book about this railway line and the German financial and political background.<sup>3</sup>

In my hometown Frankfurt to catch up another example many private banking houses were heavily engaged in railway financing in the United States of America in the second half of the 19<sup>th</sup> century.

I would like to mention three bankers to shed light on these kind of international financing in the field of railways. There were Investors who had immigrated from

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<sup>2</sup> Michael Robbins, What kind of railway history do we want ?, JTH v. III, 1957, 2, p. 72.

<sup>3</sup> Manfred Pohl unter Mitarb. Von Angelika Raab-Rebentisch, Von Stambul nach Bagdad. Die Geschichte einer berühmten Eisenbahn. München und Zürich 1999.

Frankfurt to America who changed their strategy and invested lesser in governmental loans but in American railroad construction on a grand scale. The huge rail network of 300.000 kilometers stretched across the American capital market and it soon became clear that the input of European capital was becoming a necessary. Frankfurt banking houses and their branches in America led by emigrated family members played an important role in this part of finance business.

One such success story is that of Charles Hallgarten who began his career in financing railroads and then re-emigrated to Frankfurt as a wealthy banker. Back in Frankfurt he initiated numerous philanthropic projects. Another Frankfurt-American was Wilhelm Bonn. At the age of 20 he was sent to New York to familiarize himself with the American finance market and to sell American war bonds on the German market. He speedily built up his career in New York and ended up as the director of the banking house of Speyer & Co. which was a subsidiary branch of Lazard Speyer-Ellissen. Later on he founded his own banking firm, Ruette & Bonn which successfully financed the transcontinental railway lines. Such as Charles Hallgarten he re-emigrated to Frankfurt at the age of 42 and settled in a luxury villa in the Frankfurter Westend located directly in the neighbourhood of Hallgarten.

The most important Frankfurt banker to have left Frankfurt was Jakob Schiff. At the age of 28 he moved from Frankfurt to New York. There he gained a leading position in the investment banking house Kuhn, Loeb & Co. after he had married the daughter of Salomon Loeb, the founder of the banking house. Schiff had been born in Frankfurt in 1847. Coming from an old Jewish Frankfurt family he went to school at the Jewish reform school "Philanthropin" and afterwards to the orthodox Realschule of the "Israelitischen Religionsgesellschaft" (Israel Religion Association). He completed his courses in business and trade and then emigrated to America in 1865. There he became an employee of the New York banking firm Frank & Gans. But Schiff was ambitious, obstinate and a tough opponent in his business dealings. Two years later, together with Henry Budge, he founded the banking firm Budge, Schiff & Co. But his real career actually

began when he entered the banking house of Salomon Loeb. In the beginning he served as speaker of the company and recognized the tremendous importance of traffic for the industrial development of the United States. He gained entry into the railroad business in his own unique way. Not only did he become an expert in railroad financing but also an expert in the daily business and technical matters of railroads. When he had reached the point where he could fully grasp all the details of running a railroad company he felt the time had come to begin competing with John Pierpont Morgan, who was the top banker in the US banking hierarchy at that time. Schiff succeeded in gathering together the necessary capital for the speedy industrialization of America by making use of his strong ties to Europe and Germany. After a while he controlled the Great Northern, Union Pacific, Pennsylvania, Illinois Central, Chicago and Milwaukee railroad companies. Under the leadership of Schiff, Kuhn & Loeb developed to the second largest investment banking house of America behind the Morgan trust. Jakob H. Schiff's career was a symbol of the growing importance of American Jewry in the American society. Like many of the migrants from Frankfurt including Seligmann, Speyer or Hallgarten, Schiff regarded himself as a German-Jew, a "Yahudim". However, these ties of international communication structures were no exception. We can find them in different ways in every country where the railway industry flourished.

This leads us back to the question of Robbins: "What kind of railway history do we want?" Our answer is clear. International financial transactions that have taken place across national borders continue to attract our attention and are of the greatest importance in Europe and throughout the world. It is the intention of the conference '**Across the Border**' – **International Railway Investments in the 19th and 20th Centuries** organised by the International Railway History Association (IRHA) to initiate a first step for leaving the old traces of the national perspective in railway history and to explore the railway system as an international communication network.

For that reason we would like to combine the traditional traffic history with modern communication history and modern social and economic history and try to

understand railway lines as an international communication system that in fact came into being as a result of complex international activities.

The IRHA is very pleased to achieve such a convincing feedback from those who are interested in such kind of history. We have a real international audience here beside many participants a long list of contributors who indeed will present exciting papers. So I am optimistic that we will get a very interesting debate on the role of financiers, businessmen and engineers of the railways in the time when certain well-known individuals of European capitalism appear on the scene.

Furthermore we will get convincing answers on the following questions:

- When, where and why were railway investments from investors from other countries of great importance?
- How difficult was it for foreign investors to realise their interests in light of national laws and government policy as well as the economic and cultural barriers that existed at that time.
- What were the economic and political consequences of railway investments across the borders?

To make it comfortable we divided the conference into three sessions

- The first one, led by the chair Günter Dinhobl will view some examples of individuals who were engaged in international railway financing.
- The second one that will start tomorrow morning, led by Michele Merger, will broaden our view to European wide activities and
- The third one, led by myself will take the whole world into consideration.

We try to realise a very ambitious program which includes a densely list of as much excellent papers as we could get in. This means, time is our enemy and I would like to beg all not to exceed their time limits for reading their papers. We

have calculated only 20 minutes for reading and 10 minutes for discussion of each paper (with the exception of the evening lectures). The chairs have the task to control this time limit very strictly.

This is the bad news. The good news is we have agreed that the quality of the papers is on a such high standard that we should discuss about a publishing project at the end of the conference. All what could not be said here at the conference, could probably written down in an anthology.

But now it is high time to start with session Nr. 1 and I leave the floor for Günter Dinhobl.