

Louisville and Portland Canal

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Near Louisville, the Ohio river falls from twenty-seven to twenty-eight feet within a distance of two miles. These rapids early became known as the "Falls of the Ohio." They impeded traffic so much that boats could safely descend only during periods of high water while it was possible to make the ascent during even shorter periods of the year and at greater peril. In the hope of making the river navigable at all times by means of a canal, the Legislature of Kentucky incorporated the Ohio Canal Company in 1804. The act designated seventeen cities of the state in which books were to be opened for subscriptions for stock, and named the men who were to be in charge of the sales. The capital stock was to be \$50,000, divided into 1,000 shares of \$50 each, though if this stock should be insufficient, the directors might from time to time increase the number of shares. The works and canal with all their profit should be forever exempt from any tax or assessment. The subscribers were to receive returns on their investment by way of tolls, which were levied according to the size of the boat. Those not over fourteen feet wide and forty-five feet long were to pay \$4.00; those not over fourteen feet wide and sixty feet long, \$5.00, etc. Boats loaded with coal, lime, iron, or other ore, or household furniture were to pay not more than three-fourths of the regular tolls. The canal had to be capable of navigation, except in dry seasons, for vessels and rafts drawing four feet of water, at the least. It had to be begun within three years and completed by January 1, 1812. A lottery was authorized whereby the company might raise as much as \$15,000 for the construction of the canal.¹

The preamble of the law of 1804 stated that there were many people who wished to invest large sums in the canal, but only a portion of the money was subscribed.² It is also true that the act was "defective in many of its important provisions."³ In an attempt to correct these defects and render encouragement to the enterprise, the Legislature, in 1805,

¹ Little, *Statute Law of Kentucky*, I, 221-234.

² Lewis Collins, *History of Kentucky* (revised by Richard H. Collins), I, 551.

³ *Statutes of Kentucky*, 1805, 1.

modified the act of the previous year. The capital stock was now to consist of 10,000 shares at \$50 each. The State of Kentucky was to purchase 1,000 shares and reserve for her disposition 1,000 other shares. The United States might subscribe for shares to the par value of \$60,000; Pennsylvania and Virginia, each, to the value of \$30,000; Maryland, New York and Ohio, each, to the value of \$20,000. Again, the canal and works were to be tax-exempt. It had to be navigable for vessels drawing not over three feet except in time of low water, and must be twenty-four feet wide at the bottom. A lottery was again authorized, with the privilege of raising a sum not exceeding \$30,000. Work had to begun within three years and completed by January 1, 1815. Tolls were levied according to tonnage for ships and sea vessels and according to size for other boats.⁴

Apparently nothing was accomplished under this law. Capital would not embark on the enterprise although the inducements seemed large, so the Legislature in January, 1818, created the Kentucky-Ohio Canal Company, with a capital stock of \$600,000, divided into 6,000 shares of \$100 each, 2,500 of which were reserved, 500 each for Kentucky, Ohio, Pennsylvania, Virginia and the Federal Government. The Directors were authorized to do as they thought best to obtain subscriptions. The steamboat first made its appearance on the Ohio in 1811, making a deeper canal necessary, so the act provided for a width of thirty feet at the bottom and a depth of four and a half feet, "sufficient to carry through the whole distance . . . any boat or craft not carrying more than four feet of water." A change was made in the tolls. A loaded flat boat had to pay ten dollars and an empty one, six. Steamboats, barges, and keelboats were to be charged \$1.50 per ton if loaded and half that per ton if empty. Partially loaded boats were to pay in proportion, and the several rates were to be doubled for vessels ascending the river. To induce capital to enter into this undertaking, the law provided that if the dividends were less than twelve and a half per cent after two years of canal operation, the directors might raise the tolls, and if over eighteen per cent, the Legislature reserved the right to reduce them so that the specified income should not be exceeded. This act did not provide for tax exemption.⁵

⁴ *Ibid.*, 1-18.

⁵ *Statutes of Kentucky, 1817-1818, 419-425.*

Two more years elapsed and nothing was accomplished.⁶ The amended act of 1820 authorized the company to organize when \$100,000 of stock had been subscribed, and reserved stock for various states and the United States, and again contained the provisions relative to dividends,⁷ but the public spirit was too low or capital too insufficient or too sensitive.⁸ On November 1, 1824, Governor Desha presented his annual message to the Legislature, in which he urged the construction of internal improvements. Kentucky, because of her inland position, must remain an exporting state, and any impediment in her path to the ocean must necessarily obstruct her progress to wealth and power. The Governor pointed to the works of other states and urged that Kentucky construct her own internal improvements. Not all could be undertaken at once, so he preferred that the canal be pushed through, and that the profits arising from it be used to construct other means of transportation. It was customary then to collect tolls from turnpikes as well as from canals, so the Governor contended that when the whole system of internal improvements should "be completed, the profits, it is believed, would nearly or entirely relieve the people from the burthen of taxation, and not only support the government, but also build up and maintain many liberal institutions."⁹

Other states were interested in this canal. Governor Morrow of Ohio sent to Desha an account of the action of the Legislature of his state and a series of documents relative to the canal. David S. Bates, a civil engineer of Ohio, had estimated that a canal forty-four feet wide at the bottom and fifty-six feet wide at the top and four feet at lowest water, could be constructed on the Kentucky side at a cost of \$306,014.68, and on the Indiana side for \$533,048.¹⁰

The most clearly expressed reasons for a canal were given by Alfred Kelly, Acting Commissioner of the Lake Erie and Ohio Canal:

It may be assumed as a fact, that more damage is annually sustained by the country situated on the Ohio, and its branches above the Falls, in consequence of that obstruction, than the whole amount required to provide a complete and permanent remedy for the evil.

⁶ Collins, *op. cit.*, I, 551.

⁷ *Statutes of Kentucky*, 1819-1820, 911-914.

⁸ Collins, *op. cit.*, I, 552.

⁹ *Senate Journal* (Kentucky), 1824, 9-10.

¹⁰ *Ibid.*, 193-198.

The actual expense incurred in the transportation of property around the Falls, forms but a small item in this account. The damage sustained in consequence of the delays occasioned by this obstruction, in conveying to market the surplus products of the upper country, is one of much greater magnitude. The market at New Orleans is so fluctuating that the delay of a few days often occasions a serious diminution in the price obtained for a cargo of provisions. The climate and situation are such, that the investment of a large surplus capital in that place, applicable to the exigencies of commerce, can never be reasonably expected. The market is therefore liable to be overstocked and a regular demand for a time destroyed. Provisions, if long exposed on their journey down the river, or in the warehouses at New Orleans, to the heat and moisture of that climate, are subject to be damaged and consequently diminished in value, and injured in their general reputation in foreign markets.

Obstruction of the "Falls", argued Kelly, prevents goods being placed on the New Orleans market when the prices are highest. When the "Falls can be descended with safety, a vast amount of property is thrown at once into a market, which . . . is limited in extent and fluctuating in price Although the average price of flour in New Orleans, is 25 or 30 per cent. less than in the seaports of the Atlantic states, yet it frequently occurs that New Orleans is supplied with that article for home consumption from those very ports." This illustrates the inequality of price in the market.

To further prove the need of a canal, Mr. Kelly wrote:

Much the largest proportion [of the surplus of the upper country] still descends the Ohio and Mississippi in flat boats although navigated by a large amount of steamboat tonnage. This is owing in a great measure to the obstruction of the falls to steamboat navigation. This rapid can be passed by steamboats, especially in ascending, during a small part of the year. Provisions from above the Falls are on an average 15 days longer in reaching their destination, "and much more subject to be injured by exposure to the weather and other accidents, when transported in flat boats, than when shipped in steam boats. On this account many persons prefer sending their flour, pork and other provisions to market on board of steam boats, even at the present prices of freight charged by these boats, which on flour is now about one dollar per barrel from Cincinnati to New Orleans.

Should the canal be constructed, it was believed that freight on flour would be reduced immediately to fifty cents per barrel, which "effect would be the result of the more constant employment obtained by those boats, the greater safety and less delay in navigating the river, as well as from the re-

duction in the actual expense now incurred in passing the Falls and carting the cargo across the portage at that place." Kelly maintained that flour could be transported best by steamboats. To strengthen his claim he declared that

300,000 barrels annually descend the Falls, which estimate is probably below the truth; the sum of 150,000 dollars on the freight of this article alone, would annually be saved to the upper country. But it is believed that the loss sustained by delay, actual loss and damage received by the property, its bad reputation on market, the extra expense of transportation, and the sacrifice necessarily made in an overstocked market, in consequence of the obstruction at the Falls and the method of conveying property which it induces, is altogether equal to one dollar on each barrel of flour.

Flour constituted about one-fourth of the value of the products of the upper country which descended the Falls, according to Kelly, so it was reasonable to estimate "at least an equal amount of loss on all the other articles, which together form a sum three times as great." It was held that more than 3,000 flat boats descended the Falls annually to New Orleans.¹¹ From their construction they could never be used in ascending navigation. So they were sold at a loss of \$80 each, on the average, which made a loss by the upper country of \$240,000 a year. Moreover, it required a larger number of hands on flatboats than on steamboats in proportion to the amount of freight. These hands were obliged to return by steamboat, being unemployed on the home trip. This entailed expense:

The damage sustained by property conveyed on board these badly constructed vessels, the loss and risk incurred, and the exposure of health and life, occasioned by this method of transportation, together with the bad appearance and low reputation of provisions, must all be taken into account in forming an opinion of the relative advantages attending the two methods of conveyance.¹²

The public demand for a canal was urgent and the Legislature of Kentucky, in January, 1825, incorporated the Louisville and Portland Canal Company with a capital stock of \$600,000, divided into \$100 shares. The tolls were to be twenty cents a ton for steamboats, sea vessels, barges or keelboats, and \$4.00 for each flat boat. The same percentage of profit was

¹¹ The records of the company after the opening of the canal make one skeptical of this estimate.

¹² *Senate Journal* (Kentucky), 1824, 199-201.

granted as in the acts of 1818 and 1820. No lottery was authorized, and no exemption from taxation was granted.¹³

A sectional spirit was manifested in the passage of this act. It passed the Senate on January 11 by a vote of 25 to 7, but every one of the seven opposing members represented counties lying in the southeastern part of the state, which would benefit the least by the canal.¹⁴

Although the law did not reserve any stock for the United States, yet an investment was sought from that quarter. In April, 1826, the United States Senate had under discussion a bill providing that the United States purchase 1,000 shares of stock should the price not be over \$100 per share. Johnson and Rowan of Kentucky and Ruggles of Ohio argued for the measure on the ground that it was an opportunity for the United States to invest money with benefit to the Treasury, holding that it was believed to be the best investment in the country. Chandler of Maine and Van Buren of New York opposed the bill on principle. It passed the upper house by a vote of 22 to 15. Hugh L. White of Tennessee cast the only negative vote from the West. This bill passed the House and was approved by Adams on May 13, 1826.

Private capital failed to flow into this canal enterprise. In January, 1829, Rowan of Kentucky was urging the United States Senate to take more stock, claiming that the work could not be done without the aid of the Government. The calculation in regard to construction had proved erroneous. It was found that the expense would far exceed the estimate of the engineer. The stock went below par and many shares were forfeited. The canal was only about two and one-half miles in length, but it had to be cut through solid rock. The work was two-thirds done. The purchase of stock was not a question of principle with Rowan, but one of expediency. John Branch of North Carolina asked that the bill be laid over until the question of the distribution of public money had been settled, condemning this bill as purely local.¹⁵ To this proposal, Johnson of Kentucky replied that the canal was of interest to the whole Western country, that is, to 4,000,000 people. As to the distribution of federal money, this was the only legiti-

¹³ *Statutes of Kentucky, 1824-1825*, 167-173.

¹⁴ *Senate Journal (Kentucky)*, 1824-1825, 432.

¹⁵ *Register of Debates in Congress*, Vol. II, part I, 619-620.

¹⁶ The U. S. Treasury was showing a surplus each year.

mate object for which it could be expended in the West. Johnston of Louisiana urged immediate passage to prevent obstruction to the project that would soon occur due to the rise of water. The measure passed the Senate, 24 to 18, with Hugh L. White of Tennessee again casting the only dissenting vote of the West.¹⁷ This bill was approved March 2, 1849, just before the close of the Adams Administration. It provided that the United States purchase not over 1,350 shares at a price not above par, from any stock which may have been forfeited to the company and not again disposed of.¹⁸

The legislature of Kentucky on December 12, 1829, authorized an increase of capital stock from \$600,000 to \$700,000,¹⁹ and exactly two years later gave the company blanket authority to extend the capitalization to such an amount as would be sufficient to pall all the costs of constructing the canal.²⁰

The canal was completed and opened to traffic in December, 1830. It was a paying enterprise from the start. The following table reveals the success of the canal:²¹

<i>Years</i>	<i>Steamboats</i>	<i>Flat and Keel Boats</i>	<i>Tons</i>	<i>Amounts received</i>
1831	406	421	79,323	\$ 12,750.77
1832	453	179	70,109	25,756.12
1833	875	710	169,885	60,736.92
1834	938	623	162,000	61,848.17
1835	1,256	355	200,413	80,165.24
1836	1,182	260	182,220	88,343.23
1837	1,501	165	242,374	145,424.69
1838	1,058	438	201,750	121,107.16
1839	1,666	578	300,406	180,364.01
1840	1,231	392	224,841	134,904.55
1841	1,031	309	189,907	113,944.59

The company continued to issue stock to complete the canal and to improve it for a number of years, acting in compliance with the Act of the Legislature of 1831. The first dividend was issued on June 3, 1833, which amounted to \$30 per share on 4,665 shares and to \$20 per share on 1,335 shares, the size of the dividend depending upon the age of the shares, "for interest, and the tolls before that time received and expended

¹⁷ *Register of Debates in Congress*, Vol. V, 47-49.

¹⁸ *Ibid.*, Appendix, 65.

¹⁹ *Statutes of Kentucky*, 1829-1830, 10.

²⁰ *Ibid.*, 1831, 95.

²¹ Reports of the Company to the Legislature of Kentucky. In *Senate Journals* for the corresponding years.

in completing the Canal."²² This initial dividend was paid in new stock. The following table of dividends shows the returns to the stockholders from the enterprise:

January 1834—6% dividend.	July 1838—6% dividend.
January 1835—3% "	January 1839—5% "
July 1835—4% "	July 1839—9% "
January 1836—4% "	January 1840—8% "
July 1837—6% "	July 1841—4% "
January 1838—7% "	January 1842—5% "

There are several items of interest in these reports. They reveal that the traffic generally was on the increase up to and including 1839, the fluctuations being accounted for by the stages of water in the river. At times of very high water the boats could pass over the falls and avoid going through the locks. During some winters traffic was impeded by ice floes. The dividends on the whole were large and the stock sold above par value. It is significant that for the supposedly bad year of 1837, the canal investors received dividends amounting to 13 per cent for the business of the year.²³

No sooner was the canal in operation and yielding dividends, than a movement was started to bring about public ownership in order to establish practically free passage for traffic. On January 21, 1842, the Legislature of Kentucky gave the company the "privilege" of selling the shares of stock owned by individuals to the United States, to the State of Kentucky, or to the city of Louisville, for the purpose of eventually making the canal free from tolls. The directors were authorized to issue no more dividends, but to use the income for the purchase of individual stock. This was to be purchased pro rata and the price for the first year was not to exceed \$150.00 per share. The law provided that "the maximum price paid for the shares purchased the first year, and six per centum per annum, annually, added thereto, shall be the highest price which shall be paid for the shares in each subsequent year."²⁴

The state of Kentucky and the city of Louisville refused

²² *Senate Journal* (Kentucky), 1833-34, Appendix, p. 13.

²³ The writer has been unable to find any records for dividends that may have been declared in July, 1836, January, 1837, July, 1840, or January, 1841. The year 1836 must have been a good one, and dividends must have been declared. Probably no dividends were received by stockholders, for the year 1840, that is, in July, 1840, and in January, 1841. The table gives evidence that the worst condition did not prevail in 1837, the panic year, nor in 1838-1839, but that the depression reached a climax later. Sales of public lands, westward migration and prices of commodities reveal the same truth, that the worst years were 1840-1842.

²⁴ *Statutes of Kentucky*, 1841-1842, 17-19.

the offer,²⁵ but no further dividends were declared, the shares of individuals were purchased by the Board of Directors and held in trust for the United States which finally purchased them. The report of Mr. Salisbury in the United States Senate in 1860 showed that the total number of shares was 10,000, of which by subscription the United States were entitled to 2,902, which had cost the Government \$233,500. Upon these shares the Government had received in dividends \$257,778. The directors, according to the act of the Kentucky legislature of 1842, had purchased and now held in trust 7,093 shares, "which, with the shares owned by the United States and five shares held by the directors,²⁶ individually, complete the full number of shares in the capital stock of the . . . company."²⁷ In 1857 the State of Kentucky authorized the Board to build a branch canal, which Congress in 1860 authorized to be paid out of the canal revenue. Congress issued bonds to purchase this stock, and in 1874 took complete control of the canal and works.²⁸

This study contains several points of importance to the student of American history. It shows the intense interest of the people of the West in internal improvements. The cost was three times the estimate, which is typical of many of the governmental enterprises. The people were very anxious to get men to invest their money in the undertaking, but when dividends which the Legislature had authorized became a reality, the demand became urgent that the government take over the canal and lower the tolls or grant free passage. The votes in the Senate of Kentucky and in the branches of the United States Congress indicate a sectional interest, which is also typical throughout our history. Governor Desha wished the state of Kentucky to construct the canal and to use the profits to build turnpikes, etc., and to use the profits of all to maintain these works and to further the development of liberal institutions. The shattering of his dream must have caused him much distress. The United States government finally took over the canal, extending her power one step farther over the waterways of the nation. It was one institution

²⁵ Collins, *op. cit.*, I, 553.

²⁶ The directors were required by the law to be stockholders, and they were fulfilling the terms of the statute by requiring each member of the Directorate to own one share.

²⁷ *Congressional Globe*, 36 Cong., 1 Sess., 1173.

²⁸ Collins, *op. cit.*, I, 553.

out of which the Government made a big profit when a stockholder, but when the sole owner, made less than nothing. The canal was too small within ten years after its opening and the United States had to expend a great deal in preparing it for further usefulness. Moreover the railroad came in and the traffic on the river declined.