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Abstract

This study examines th ough these were private corporations, various governments assisted the railroads. Governmental involvement in the construction of railroads can be justified from the importance that railroads played in economic development in the areas the tracks bisected, as well asjustified due to the importance of railroads in linking together a region and for the provision of basic transportation that was otherwise lacking. It was seen that the government investment would have a direct financial payoff, hence, justifiable as a good investment. This examination focuses on the support provided by the public sector and the railroads' actions that acknowledged this public support. Public assistance in financing fledgling railroads had direct impacts upon financial reporting and public disclosure. One of these impacts was that annual reporting, a model used by governments, was introduced to nineteenth century businesses by means of railroads, a quasi-public enterprise.

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1. Although canals were a competitor to railroads in the 1820s through the 1830s, they differed in that most early canals had been government development projects (which subsequently resulted in the bankrupting of certain states). Thus, the canals, which utilised pre-existing rivers for much of their length, were not necessarily intended to show a profit and had no stockholders to whom to report. Following the Panic of

1837, which was partially caused by states overspending on canals, there was some attempt in the Midwestern states to develop privately-owned canals, but the ventures were mostly failures.

2. The state granted this investor group the franchise to construct and operate the railroad in return for a 7 per cent tax on railroad revenues, which the bankrupt state hoped to use to pay off its debts.

3. For an informative study of the public relations and marketing aspects of annual reports, see Graves, Flesher, and Jordan (1996).

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