Cornelius Vanderbilt
Born May 27, 1794 (Port Richmond, New York)
Died January 4, 1877 (New York, New York)

Shipping executive
Railroad executive
Financier

"I for one will never go to a court of law when I have the power in my own hands to see myself right."

When Cornelius Vanderbilt died in 1877, he left an estate valued at $100 million. Vanderbilt’s astonishing fortune ranked him as the richest American in his lifetime, and his wealth had seemed to grow right along with the rapidly expanding new nation. Known as the “Commodore,” he made his first fortune in shipping and went on to own a large section of the railroad tracks that connected the East Coast to Chicago, Illinois. Vanderbilt had a skill for recognizing coming changes and trends, and his talent for investment opportunities made him one of the American Industrial Revolution’s leading figures. His estate also created one of the country’s great family fortunes.

An early start in the shipping business

Born in May 1794 on Staten Island, New York, Vanderbilt came from a Dutch farming family who lived in Port Richmond, on the north shore of the island. His great-great-great-grandfather, Jan Aertson, came to New York in 1650 as an indentured servant, a common form of contract labor in the era and a way for poor men and women to try their luck in the New World. In exchange for promising their labor for a number of years, the
indentured servant was provided with transportation to North America and food and shelter during his work years. Aertson had been born in a village called De Bilt in the Netherlands, and the *van* ("from") added to it gave the family its surname.

Vanderbilt was the fourth of nine children in his family. His father had a boat business, and as a youngster Vanderbilt grew to love the sea and sailing. He left school at the age of eleven to work with his father, and by the time he turned sixteen he badly wanted his own boat. He struck a deal with his mother, who lent him $100 in exchange for plowing eight
acres of rocky soil on which she wanted to plant crops. Vanderbilt then turned to his friends for help with the job, offering them rides in his new boat as payment for their labor.

Using that boat Vanderbilt started his own transport and freight service that carried goods between Staten Island’s farmlands and New York City’s Manhattan, an emerging center of commerce. In time he repaid his mother the amount of that first loan plus an extra $1,000. When he was eighteen years old, the War of 1812 (1812–15) erupted between the United States and England over a variety of complaints, including the capture of American sailors for enforced duty in the English Royal Navy. Vanderbilt profited during the three-year conflict after winning a government contract to carry supplies to the numerous military forts along the New York and New Jersey shorelines. With the money he earned from that project, he built a schooner, a ship with at least two masts that was capable of carrying a much heavier volume of cargo. His ship serviced the communities located on the shore of the Long Island Sound on the Atlantic Ocean, and he soon added two more schooners to his fleet. By 1817 he had saved up $9,000.

In 1818 Vanderbilt sold all of his boats. They were all sailing vessels that relied on the wind to power them, and he was convinced that steamships were going to dominate the shipping industry instead. A little more than a decade earlier, a wealthy New York lawyer and politician named Robert Livingston (1746–1813) had joined with American inventor Robert Fulton (1765–1815), and their first steamship made the trip on the Hudson River from New York City to Albany, New York, in record time. Their next vessel made its maiden voyage from Pittsburgh, Pennsylvania, to New Orleans in
1811. Vanderbilt wanted to learn as much as possible about the new technology and went to Thomas Gibbons, a steamboat ferry operator. Gibbons’s boat ran between New Brunswick, New Jersey and New York City, and Vanderbilt promised to increase its profits in exchange for a salary of just $1,000 a year.

Epic legal battle

Vanderbilt delivered the profits as promised. He revised the schedules to make the service more reliable and made the boats more comfortable for passengers. After convincing Gibbons that a larger ferry was needed, he learned to captain the new vessel himself. But Vanderbilt’s time with Gibbons was important for another reason, and one that had a far more lasting impact on the American economy: the newly successful Gibbons line came into conflict with Fulton and Livingston, who believed they had the rights to all steamship travel on the Hudson River. A generation earlier, states commonly granted monopolies (the exclusive possession or right to produce a particular good or service) to companies or individuals. This dated from the first years of the new nation, when lawmakers and leaders wanted to encourage invention and investment in their communities, but had no funds to do so yet. Granting monopolies in certain industries and sectors was one way to promote business and innovation.

Some years earlier the New York legislature had granted a monopoly for steamboat travel to John Fitch (1743–1798; see entry), whose version of a steam-powered boat came before Fulton’s. Fitch even demonstrated it before the delegates at the Constitutional Convention in Philadelphia, Pennsylvania, and Livingston was one of the attendees. Fitch died in poverty, and Livingston later managed to secure his New York rights, probably through political connections. Gibbons took Livingston to court over the monopoly rights, and the case advanced all the way to the U.S. Supreme Court. The landmark case, *Gibbons v. Ogden*, was decided in 1824 and eliminated all state monopolies. It also gave Congress some authority over interstate commerce (commerce that crossed state lines), a legal first that would later play a significant role in a wave of regulatory laws for American corporations in the early years of the twentieth century.
Vanderbilt managed to prosper during the years he worked for Gibbons, with some credit going to his wife, Sophia Johnson Vanderbilt (1795–1868), whom he had married in 1813. In the town of New Brunswick, which was the halfway point between Manhattan and Philadelphia, she ran a hostel for travelers on the Gibbons ferry line. In 1829, after a decade working for Gibbons, Vanderbilt decided to start his own steamboat line. With the immense sum he had saved—around $30,000 by then—Vanderbilt began a service that ran between New York City and Peekskill, New York, a Westchester County town on the Hudson River. This project sparked his first business battle with another transportation owner, Daniel Drew (1797–1879). Vanderbilt beat his competitor by charging much cheaper rates, a practice that Vanderbilt would continue for the remainder of his career.

In his next venture, a steamship line that ran to the state capital of Albany, Vanderbilt went up against the Hudson River Association, a group of boat operators that set rates amongst themselves. Again Vanderbilt’s line charged a much lower rate, and the association finally decided to pay him to keep out of the Hudson River traffic. Vanderbilt agreed to give up his Hudson River line for the next ten years and earned $100,000 plus another $5,000 annually from the deal. For the next several years, he concentrated on shipping and ferry services along Long Island Sound and up the Atlantic seaboard to towns in Connecticut and on to Providence, Rhode Island, and Boston, Massachusetts. Vanderbilt’s passenger ferries were known for their safety and their somewhat fancy interiors, and they also used a more efficient boiler that saved on operating costs by burning much less fuel.

**Profited from California gold rush**

By the time Vanderbilt celebrated his fortieth birthday in 1834, he possessed a fortune worth $500,000, a huge amount at the time. His lines prospered and later the following decade he moved into long-distance travel. The California gold rush, which began in 1848 with the discovery of a gold nugget near Sutter’s Mill in the northern part of that state, caused a massive migration of prospectors hoping to make their fortunes in gold mining. There was no transcontinental railroad (spanning the country from one coast to the other) yet, and New England and Atlantic seaboard residents who planned to move to California
to prospect for gold had two sea transportation options. One was to board a ship that sailed around Cape Horn, the southernmost tip of South America, which was known for its dangerous storms. The other involved booking passage to Panama in Central America, and then making a trek over land through the Isthmus of Panama. This was a tropical jungle, and newcomers were at risk of contracting malaria (a sometimes deadly disease spread by mosquitoes that causes chills and high fever). When they made it across, they had to wait for another ship that would carry them up the Pacific coast to San Francisco, California.

Vanderbilt found a shorter route, through Nicaragua, and charged half the price of the leading company’s rate for both legs of the journey. In 1815 he made the first trip on his new Accessory Transit Company (ATC) venture himself to oversee its smooth operation. He also began meeting with wealthy London, England, bankers with the hopes of obtaining financial backing to build a canal through the Isthmus of Panama. In the end the English bankers declined to get involved, though by 1880 construction had started on what would become the Panama Canal, originally financed by a French consortium.

In Panama Vanderbilt learned that the two executives, Charles Morgan and Cornelius K. Garrison, whom he had put in charge of ATC had betrayed him through a stock manipulation that resulted in their gaining a controlling interest in the company. Realizing that a lawsuit would, at best, result in monetary damages the two men were unlikely to pay, he vowed to ruin them instead. He formed a rival company to the ATC and managed to put the ATC out of business within two years. Known for his competitive streak and ruthlessness in deal-making, Vanderbilt sometimes paid New York state officials and judges to help him out. He was known to have many contacts inside the Tammany Hall political machine (power structures identified with political parties that were led by a boss and his associates) in New York City. Similarly stubborn in his personal affairs, he treated his wife and twelve children poorly.

Moved into railroads

Vanderbilt soon sold most of his fleet and left the shipping business altogether. In the early 1860s he ventured into railroads. His first purchase was the New York and Harlem Railroad, which again put him into competition with Daniel Drew.
Known for his stock manipulation schemes, Drew attempted to block Vanderbilt’s purchase by selling short, or selling stock shares that did not technically exist under law. Vanderbilt managed to win this battle by buying the stock anyway, using his political connections to have the stock declared valid, and thereby gaining a controlling interest in the railroad. Furthermore, the price of the shares rose from $90 to $285 in five months. Drew lost that confrontation badly and was determined to take revenge on Vanderbilt at the next opportunity.

In 1864 Vanderbilt bought the failing Hudson River Railroad, which ran from New York to Albany. His next purchase was the New York Central Railroad in 1867, which connected Albany and Buffalo, New York. He merged it with the Hudson River Railroad and then leased the Harlem Railroad to it. He called the new company the New York Central and Hudson River Railroad. In 1866 he tried to purchase the important Erie Railroad line. Drew was the treasurer of this company, and the business rivalry between the two men became known as the Erie War. Again Drew issued fraudulent stock, teaming with financial backers Jay Gould (1836–1892) and James Fisk (1834–1872). And once again Vanderbilt kept buying up as many shares as he could, but this time he nearly went bankrupt doing so. Drew, Gould, and Fisk fled to New Jersey but eventually surrendered to authorities. Vanderbilt used his political connections to have the fraudulent stock authorized as valid shares. Gould and Fisk later betrayed Drew in their own financial scheme, and Vanderbilt’s major business rival, Drew, had lost his fortune by the time he died in 1879.

In 1873 Vanderbilt achieved a legendary feat in American railroad expansion by extending his New York Central and
Hudson River Railroad all the way to Chicago. He did so by acquiring other regional lines, such as the Lake Shore and Michigan, the Canadian Southern, and the Michigan Central. Vanderbilt’s trunk line, or major railroad route that operated across a large geographical area, was the second largest in its day and spurred major growth in the New York cities of Syracuse, Rochester, and Erie, as well as in Cleveland, Ohio, Toledo, Ohio, and South Bend, Indiana. Only the Pennsylvania Railroad trunk line, which connected New York, Philadelphia, Washington, D.C., Chicago, and St. Louis, Missouri, was larger.

**Early corporate raider**

Like Drew and other wealthy company owners in an era when American business was largely unregulated by the government, Vanderbilt also manipulated the stock in his own companies by issuing stocks at an inflated price—that is, a price not warranted by the company’s real assets. But his were successful operations that usually returned large dividends (sums or bonuses) to their shareholders. He was known for sometimes buying properties at a price that was considered far too high but then making them quite profitable due to his cost-cutting measures. A century later such corporate strategy became known as the leveraged buyout. Even during the Panic of 1873, when the country’s leading private bank failed, causing a financial crisis in which nearly a quarter of U.S. railroads went out of business, Vanderbilt managed to prosper.

Vanderbilt died in January 1877. After Sophia died in 1868 he had married Frances Crawford of Mobile, Alabama, who was more than forty years younger than he was. She encouraged him to donate some of his wealth to good causes, and he gave $50,000 to the Church of the Strangers in New York City and $1 million to Central University in Nashville, Tennessee, which was renamed Vanderbilt University in his honor. The rest of his estate, estimated at nearly $100 million, was left largely to his son, William Henry Vanderbilt (1821–1885), whom he had put in charge of one of his railroads. Vanderbilt believed that of his four sons, William was the only one with a talent for business, but he regularly mocked him with nicknames that included “beetlehead.” Another son of Vanderbilt’s died of malaria, and the other two were disinherited. There
The Vanderbilts

When Cornelius Vanderbilt died in 1877, his last will and testament left $95 million, or the majority of his fortune, to his son William Henry. By the time William died in 1885, just eight years after his father, he had managed to double that amount to nearly $200 million. His was the generation of Vanderbilts that was finally granted entry into elite New York society, which had been dominated by older money, such as the fur-trading fortune of the Astor family, before then. Unlike his father, William H. Vanderbilt was a generous patron of the arts and one of the founders of the Metropolitan Opera in New York. William was perhaps best remembered, however, for uttering the famous line, “The public be damned.” This was his answer to journalists who asked him if he was running his railroad for the public benefit or not. In the second half of his retort, which is rarely quoted, Vanderbilt reminded the reporters that he was more concerned about his stockholders and their investment in his company.

William H. Vanderbilt had nine children. His second son, William K. II (1849–1920), inherited a fortune of $60 million after his father’s 1885 death. William K.’s daughter, Consuelo (1877–1964), a noted beauty, was forced into a loveless 1895 marriage by her ambitious mother. The groom was Charles Spencer-Churchill (1871–1934), the ninth Duke of Marlborough, which made Consuelo the first American woman to marry a titled noble from Europe.

Another of William H.’s sons, Cornelius II (1843–1899), left much of his fortune to his son, Reginald Claypoole Vanderbilt, a notoriously immoral man who died at the age of forty-five in 1925 from liver failure after years of heavy drinking. Reginald’s second wife was Gloria Morgan (1904–1965), another woman of exceptional beauty. Their daughter, also named Gloria, inherited most of her father’s fortune. She was just two years old when he died, and at the age of eight she became the focus of a bitter and highly publicized custody trial between her mother and paternal grandmother in the early 1930s. Her aunt, Reginald’s sister Gertrude Vanderbilt Whitney (1875–1942), took custody of her for a time. Gertrude was a well-respected patron of the arts and the founder of what became New York’s Whitney Museum of American Art.

Gloria Vanderbilt, who was a successful clothing designer during the 1970s and 1980s, married several times. With her fourth husband, writer Wyatt Cooper, she had two sons. One of them, Carter, committed suicide in 1988. The second son was Anderson Cooper, a Cable News Network (CNN) anchor during the early twenty-first century.

were eight Vanderbilt daughters, and each received about $500,000 from their father’s estate. Two of them joined with a brother to contest their father’s will, but they lost in court. One son, Cornelius Jeremiah, committed suicide in 1882.
Vanderbilt’s influence in nineteenth-century America was a profound one. He made his fortune by investing in new technologies when they were still mostly untested and others remained skeptical. His skill at turning any enterprise into a profitable one played a key role in the expansion of the transportation industry in the greater New York City area and beyond, and that expansion helped make Chicago the second-largest city in America shortly after Vanderbilt’s death.

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