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THE STOCKHOLDER REVIEW COMMITTEE OF THE CHESAPEAKE AND OHIO CANAL COMPANY, 1828-1857: EVIDENCE OF CHANGES IN FINANCIAL REPORTING AND CORPORATE GOVERNANCE

Abstract: Canal companies were among the first enterprises to be organized in the corporate form and to require large amounts of capital. This paper examines the stockholder review committee of a 19th century corporation, the Chesapeake and Ohio Canal Company (C&O), and discusses how the C&O used this corporate governance structure to monitor and improve financial management and operations. A major strength was the concern and dedication of the stockholders to the company, while a major weakness was the political control exerted by the State of Maryland. The paper provides an historical perspective on corporate governance in the 19th century. This research contributes to the literature by providing detailed workings and practices of a stockholder review committee. The paper documents corporate governance efforts in archival sources that provide an early example of accountability required in a corporate charter and the manner in which the stockholders carried out this responsibility.

INTRODUCTION

Canal companies were among the earliest enterprises to be organized in a corporation form, and they were also among the first to require large amounts of capital. Raising the needed capital resulted in absentee owners who required financial infor-

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mation. The purpose of this paper is to contribute to a better understanding of the origins of corporate governance and financial management in the U.S. by examining activities of a 19th century canal corporation's stockholder review committee, specifically that of the Chesapeake and Ohio Canal Company (C&O). While other studies have discussed accounting practices and procedures of companies in different industries during this time [Kistler, 1980; McKinstry, 1996; Michael, 1996; Previts and Samson, 2000], there is limited discussion in the literature of corporate governance during the canal era. The C&O broke ground in 1828, and construction was completed to Cumberland, Maryland in 1850.¹ The company continued operations until 1889.

A review of the accounting literature reveals that little has been written about the corporate governance and financial management practices of canals. Kistler [1980] presented an analysis of the accounting practices and management of the Middlesex Canal, which was built from 1793 to 1804 and operated until 1850. As part of its corporate governance, the Middlesex Canal Company used a stockholder review committee to audit the company financial records. Stockholder review committees have also been found in early railroad companies (e.g., the Baltimore & Ohio Railroad [Previts and Samson, 2000]). While these studies present evidence of the existence of stockholder review committees, they do not provide details of their workings or findings although some limited evidence of the operations of a review committee is presented by McKee [1979]. Our study of the stockholder review committee of the C&O contributes to the literature by providing evidence of the workings and practices of a canal company that operated independently between 1828 and 1889. It identifies an early example of accountability required by a corporate charter.

At the time of the C&O's founding in 1828, there were very few corporations. There were no known established corporate governance or financial reporting practices in the U.S. In his discussion of the Forth and Clyde Navigation Company of Scotland, Forrester [1978] noted many innovative business practices. Boockholdt [1983], in describing early railroad accounting, observed that prior to these early corporations, there were no precedents for disclosure or accounting methods to be used. Previts and Samson [2000], in their study of the Baltimore &

¹For comparison, the Erie Canal was 363 miles and built in eight years (1817-1825). The C&O was 186 miles and took 22 years to construct.

Ohio Railroad (B&O), provided evidence that the financial reporting of early corporations evolved over time. They observed that the B&O served as a school for railroad companies by providing an example of company management that other companies could emulate. Claire [1945] provided further evidence by describing the evolution of financial reporting at U.S. Steel around the turn of the century and noting that a measure of reporting progress was to chart the changes in the annual reporting style of a single company.

The research of the current study takes the evolution in financial reporting a step further by examining the catalyst for evolutionary change. It is hypothesized in this paper that one catalyst for change resulted from the accountability demands of stockholders. In the case of the C&O, the stockholders used the stockholder review committee to effect this evolutionary change not only in financial reporting but also corporate governance.

The following section provides a brief discussion of the canal era in the U.S. Information regarding the origins of corporate governance at the C&O is then presented, followed by a discussion of the stockholder review committee and the financial management of the company. The final section provides some concluding comments.

THE CANAL ERA IN THE U.S.

As a young man, George Washington had surveyed land and rivers throughout Virginia into the Ohio Valley. In 1772, Washington proposed the establishment of a company to make improvements on the Potomac River. In that year, Washington obtained a charter from the House of Burgesses in Williamsburg, Virginia; however, the charter was not ratified by the Maryland legislature.² The start of the Revolutionary War ended all consideration of the project.

In the fall of 1783, General George Washington resigned his commission as commander-in-chief of the revolutionary army. On September 2, 1784, Washington started a tour of the western territories to examine his land holdings and to determine the feasibility of waterway improvements between the coastal region of the country and the Ohio Valley. In a letter to Virginia governor Benjamin Harrison on October 10, 1784, Washington

²Thomas Johnson presented the charter proposal to the Maryland legislature. Joint approval of the charter was necessary because the state boundary was set on the Virginia shore.

bespoke the need for improved communication and transportation with the western territories. The letter reflected Washington's fears that without communication and trade, the western territories would become Spanish by virtue of trading with then Spanish New Orleans. From this letter was born the canal movement in the U.S.³ Survey notes of George Washington, included in the letter to Governor Harrison, indicated that the Potomac River route was the shortest distance between Pittsburgh (on the Ohio River) and Tidewater (an Atlantic seaport). Over the next three months, Washington would travel between Mount Vernon, Annapolis, and Richmond to obtain, in 1784, the corporate charter of the Potomac Company.

The Potomac Company made various improvements in the navigation of the Potomac River. Obstructions were cleared and canals built around major obstructions, such as the great falls several miles upriver from Georgetown, Maryland (now in the District of Columbia).

However, by the early 1820s, the Potomac Company had exhausted its funds, and the navigational improvements carried out by the company were proving inadequate for the needs of the region and country. In 1823, a new group of individuals obtained a charter from Virginia, Maryland, Pennsylvania, and the federal government to form a new company. The new company, the Chesapeake and Ohio Canal Company, would absorb the assets, liabilities, and stockholders of the Potomac Company. The goal of this new enterprise was to build an artificial river (canal) from tidewater Potomac to the Ohio River at Pittsburgh [Sanderlin, 1946].

The C&O was never profitable enough to pay off the corporate debt borrowed for construction and repairs. However, the company was able to survive for over 100 years (including the predecessor Potomac Company). The canal was financially successful during the 1870s to the 1880s, but this success was neither sufficient to pay off the corporate debt nor to provide a return to the stockholders. During this time, the company's administrators were successful in waging a political war with the B&O [Dilts, 1993]. Severe flooding in 1877 and 1889 caused major damage to the canal works. After the 1889 flood, fund-

³Persons promoting the C&O Canal and the Erie Canal [Shaw, 1966], as well as other canal promoters, quote the letter from Washington to Governor Harrison. During the canal era in the U.S., hundreds of miles of canals were constructed to provide transport and communications between cities and states [Appendix 1].

ing was not available to make repairs, and the C&O was forced into receivership.

Following receivership, the B&O Railroad emerged as the majority owner of the repair bonds holding the mortgage on the canal and assumed control of the C&O. Funding provided by the B&O allowed the canal to be repaired and returned to service in 1892; however, another flood in 1924 resulted in the canal being closed permanently. In 1938, the federal government purchased the canal assets from the B&O for \$2 million [Sanderlin, 1946], and in 1971, the canal was designated a national park.

With the impacts of nature and technology, the C&O succumbed to its archrival, the B&O. The B&O competed on three fronts – goods to transport, construction routes, and construction funding. The railroad was also a technological rival. Over the life of the C&O, railroad technology improved and lowered the cost of rail transport. Canal technology was at its peak and was unable to make additional efficiency improvements to compete with the railroad. The C&O stockholders, including states, towns, and the federal government which had contributed the millions of dollars needed for construction, never received a return on their investment.

The C&O, while never profitable for the individual investors, was beneficial for the region it served. Ransom [1964] stated that economic historians have focused on the railroad as the most important factor in U.S. economic growth. He argued that this is misguided, that canal construction in the U.S. predated the railroads, and that the canals should be re-evaluated to reflect their contribution to U.S. economic growth. Ransom further urged that since canals were not a system, they should be evaluated individually for their economic contributions.

At the time the federal government purchased the C&O canal assets (1938), the available corporate records were also transferred to the government and now reside at the National Archives in College Park, Maryland. Included in the records are the board of directors' minute books and *The Minutes of the Proceedings of the Subscribers of the Chesapeake and Ohio Canal Company* (referred to in this paper as the stockholder minute books) which are the primary sources for this paper. As separate documents, annual reports were presented to stockholders of the C&O; however, the annual reports for only select years reside in the National Archives. The list and location of the annual reports for the years covered in this study are presented in Appendix 2.

THE ORIGINS OF CORPORATE GOVERNANCE AT THE C&O

The accounting records left by the C&O present evidence of the corporate governance and financial management of a 19th century corporation. The 1784 charter of the Potomac Company, after which the C&O's charter was modeled, required an annual meeting of the stockholders. Thus, the Potomac Company charter stated that at the annual meeting the "president and directors shall make report, and render distinct and just accounts of all their proceedings, and on finding them fairly and justly stated, the proprietors then present, or a majority of them, shall give a certificate thereof" [1784 Virginia Act, p. 515]. This charge to the corporate officers represents a significant event in the history of U.S. corporate governance and financial management for it provides a very early example of corporate accountability required by charter. To accomplish this requirement, the stockholders at each annual meeting of the Potomac Company selected a committee to review the annual report of the company. The first stockholder meeting was held May 17, 1785. At the next meeting, held August 7, 1786, a committee of stockholders was selected to examine the records of the treasurer. The committee reported back to the stockholders the following day that the accounts were "fairly and justly stated" [Potomac Company, 1785-1796]. This process was repeated annually.

The 1823 charter of the C&O was almost identical to that of the Potomac Company and included the phrase above referenced. The charter also stated that the C&O would absorb the assets, liabilities, and stockholders of the Potomac Company. In so doing it also adopted some of the practices of the Potomac Company, including its corporate governance structure. The C&O hired a full-time president and a part-time board of directors.

The C&O continued the practice, started by the Potomac Company, of having a stockholder committee appointed at the annual meeting review the current year's annual report (presented by the company president and the directors) and report their findings back to the stockholders. A subcommittee would be selected within the review committee to scrutinize the financial records of the company. This procedure continued until the June 1831 stockholders meeting at which time this practice was modified. The stockholders then passed a resolution stating that a committee should be appointed each year to review the annual report of the *next* year. The resolution directed that

the president and directors should have the report ready two weeks before the scheduled annual meeting to allow the review committee time to examine the report and prepare its evaluation. The reports prepared by these annual review committees are presented in the stockholder minute books and assist us in understanding the functioning of the company's corporate governance structure.

After completing the canal to Cumberland, Maryland in 1850, the practice of having a committee review the annual report was again modified. As mentioned, the original practice was for the committee to review the practices and decisions of the president and directors with a subcommittee reviewing the company's financial records. With the completion of the canal to Cumberland, it seemed there was less need for the stockholder committee to review the decisions of the president and directors. Therefore, under the new arrangement, three or four stockholders present at the current stockholder meeting were selected to review the next year's annual report, mainly focusing on an examination of the financial records of the company. Additionally, other committees would be established as the stockholders felt necessary to examine particular issues of interest to them. For instance, a committee in 1855 was appointed to review a proposal for leasing waterpower to the Alexandria Canal Company, and again in 1869, a committee was selected to investigate a proposal to abandon the C&O and turn its assets and operations over to the corporate bondholders.

The company charter provided for a weighting process of stock voting rights to favor the small, individual investor. The charter stated that "each member shall be allowed one vote for every share, as far as ten shares, and one vote for every five shares above ten" [1784 Virginia Act, p. 513]. The original stock subscriptions gave the U.S. federal government 40 percent of the voting rights at stockholder meetings. By 1836, the State of Maryland had taken control by means of continued subscriptions to stock in the company [Sanderlin, 1946].

Exhibit 1 demonstrates that the State of Maryland investment was five times larger than any other governmental investor. With the additional subscription of stock in 1836, the State of Maryland controlled more than 50 percent of the voting stock rights of the company. Individual investors were noted in a subscriber's log maintained by the company.

The charter for the C&O was obtained in 1823; however, the first annual meeting was not held until 1828. These years were spent obtaining stock subscriptions from the States of Mary-

EXHIBIT 1**Stock Subscriptions to the Chesapeake and Ohio Canal Company, 1828-1836**

Subscriber	1828	1836
Federal Government	\$1,000,000	\$1,000,000
City of Washington	1,000,000	1,000,000
City of Georgetown	250,000	250,000
City of Alexandria	250,000	250,000
State of Virginia	250,000	250,000
State of Maryland	500,000	5,000,000
Individuals	468,889	468,889

land and Virginia, as well as stock subscriptions from the U.S. government.

Political Environment of the C&O: Any study of the C&O Canal Company must consider the economic development and political role of the company. The first president⁴ of the C&O was Charles Fenton Mercer who served from 1828 to 1833. Mercer was then chairman of the U.S. House Committee on Roads and Canals. It was Mercer who had introduced the legislation for the C&O charter and for the U.S. government's subscription to stock in the company. By 1833, when John Eaton replaced Mercer as company president, Andrew Jackson had been elected president of the United States. Jackson's predecessor, John Quincy Adams, was a member of a different political party, and the stockholders of the C&O, in an attempt to enlist further support of the federal government, supported a change in the company's presidency to Eaton, who was a member of Jackson's political party [Garraty and Carnes, 1999].

The officers of the C&O changed to reflect the political party in power in the Maryland statehouse. Maryland had by far the largest financial interest in the C&O. Such was the power of Maryland over the company that the state's selection of nominees for the president and the directors of the company was tantamount to their election. At the April 1841 stockholder meeting, the committee reviewing the annual report made the following statement [*Minutes of the Proceedings of the Subscribers ...*, Vol. B (1836-1841, pp. 417-418):

⁴The company president was elected annually to serve a one-year term.

The committee, from evidence given them, are satisfied that very valuable and faithful officers have been removed from the service of the company, and, in some cases, men not competent to perform the duties required have been appointed in their places, to the serious injury of the best interest of the company.

Some of these removals have been as admitted by the president's report to the governor of Maryland, for political opinion's sake which, as your committee conceive, no direct interest of the company either required or demanded.

In addition to these views already presented, there are other matters which might be adverted to if the time allowed for this report would permit, which go strongly to induce this committee to believe that the affairs of the canal company have been most unfortunately managed.

At this same 1841 meeting, the stockholders, recognizing the costs of continuous changes in company management, passed a resolution stating that the C&O is a work of national importance and should not become a political engine and fluctuate with the tide of the party in power [*Minutes of the Proceedings of the Subscribers ...*, Vol. B (1836-1841), p. 414].

Sanderlin [1947] further illustrated the political nature of the company in his article on Arthur Gorman and the C&O Canal Company. Sanderlin described Gorman's rise to power in Maryland politics through his position as the president of the C&O Canal Company. In 1872, Gorman was "elected" to the presidency of the canal company in the same year that Gorman's benefactor William Whyte was elected governor of Maryland. Sanderlin [1947, p. 324] called this "an appointment to the presidency ... as a reward for his services in behalf of his party."

In 1881, the bondholders also complained about political appointments in company management. They presented a petition at the annual stockholder meeting containing the following statement [*Minutes of the Proceedings of the Subscribers ...*, Vol. E (1856-1889, pp. 336-337]:

That they [the bondholders] have received no payments on account thereof since December 1876. That they believe if the canal is managed on business principles, free from political influences, it can and will pay the debts due to them.

That they believe it is now and has been for years too much controlled and managed as a political ma-

chine for the purposes of promoting the interest of party without proper regard to those of the State of Maryland, who is the largest creditor or of the bondholders.

The minority stockholders made attempts to gain more influence within the company. At the June 1879 annual meeting, the individual representing the stock held by the U.S. government presented a motion to change the method of election of the board of directors. The motion was that the board of directors should consist of three members elected by the State of Maryland and two members elected by the minority stockholders. This motion failed with the State of Maryland voting against the motion and all other stockholders voting in favor.

By 1836, the State of Maryland had purchased more than 50% of the voting stock of the C&O through additional stock subscriptions. To oversee the state's interest in the various companies in which the state had invested, a Board of Public Works was created in 1825. The original purpose of the board was to oversee state investments in corporations and to locate additional investment opportunities. The goal of the state was to provide income for the operation of the state government without direct taxation [Wilner, 1984].

The state did not exercise direct managerial control over the various state investments. In 1850, the State of Maryland held a constitutional convention and the oversight of the various state corporate investments was an area of significant debate. Mr. Thomas, the representative from Frederick County, stated that there was a difference between Maryland and other states with canal investments. The difference was that the internal improvements companies in other states were owned, built, and operated by the states as state non-profit entities. Mr. Smith of Alleghany County said that the state had no duty but to attend the annual meeting and cast the state's vote. He further said that the state can have no supervision over the works; the charter gives entire control to the president and directors of the company [Wilner, 1984].

THE STOCKHOLDER REVIEW COMMITTEE AND FINANCIAL MANAGEMENT

As stated previously, the C&O annually created a committee of stockholders to review the annual report of the president and directors. McKee [1979] discussed the use of a stockholder review committee to perform the audit function at the East Tennessee and Western North Carolina Railroad Company

(ET&WN), a company organized in 1866. His paper presented evidence of the stockholder review committee's querying certain payments in the ET&WN company records.

In her paper on the Middlesex Canal, Kistler [1980] stated that the stockholders of that company relied upon a committee of their number to perform the audit function each year. She further stated that the committee does not appear to have reviewed all transactions, noting that the review performed in 1830 was completed in one week, too short a period to complete an audit of all transactions. However, she noted that the degree of audit thoroughness could not be determined.

The C&O review committee recognized similar limitations in their auditing. In 1838, the review committee made the following statement [*Minutes of the Proceedings of the Subscribers ...*, Vol. B (1836-1841), pp. 176-177]:

The committee have [sic] not, of course, been able to examine the vouchers of all whom money has been paid during the year, because such an investigation would require much more time than was allowed them to devote to it; nor did it seem necessary, inasmuch as the requisitions had received the approbation and were authorized by the board of directors. They could do nothing more than look over the requisitions, or warrants, issued for disbursement, examine the books of the treasurer and clerk, and vouchers for the expenditure of the contingent fund, etc. and these they have found to be correct and satisfactory.

In 1839, the C&O review committee, commenting on estimated figures on the financial statements, made this further observation [*Minutes of the Proceedings of the Subscribers...*, Vol. B (1836-1841), p. 291]:

From these causes the statements may be found to require some variation but although not exact, the subcommittee are [sic] induced to believe, that they are at least proximately correct in the available basis that they exhibit for the demands of the current year.

Such "limitations" did not keep the review committee from admonishing the company officers when irregularities were encountered.

Early corporations were founded without any pre-existing corporate governance methods to follow. The C&O was one of the first U.S. corporations and, thus, had no other companies to emulate with respect to its financial reporting or corporate

governance systems. One outcome of this was a trial and error approach to corporate governance and financial reporting.

Over the life of the C&O, the stockholders reviewing the company finances made numerous observations and recommendations. The first recommendation for change came in 1834, when the review committee directed that [*Minutes of the Proceedings of the Subscribers...*, Vol. A (1828-1835), pp. 361-362]:

- 1) Requisitions for salaries and services state the time period the person was being paid for and the capacity in which the person had served the company.
- 2) Changes be made regarding presentation of the financial statements. For instance, previously the treasurer's report consisted of one statement showing total receipts and expenditures for the company to-date. The recommendation of the review committee was to present a column for the current year information and a separate column for the company to-date information.
- 3) Expenses for repairs be accounted for and reported separately from expenses for construction of the canal.
- 4) A statement showing the amount of goods being transported on the canal be presented.

In 1839, the review committee made the following observation [*Minutes of the Proceedings of the Subscribers...*, Vol. B (1836-1841), p. 289]:

The clerk's statement however shows other receipts to the amount of \$11,175.58 arising from tolls, rents, etc. gathered by the several superintendents, which have been used and accounted for by them in disbursements in the service of the company; consequently these receipts have not passed through the books of the treasurer.

Stating that the "practice seems irregular and inconvenient," the review committee directed that this process be terminated and that all receipts and expenditures be "passed through," or recorded, in the treasurer's books.

Two stockholder meetings were held in 1841. At the April meeting, the review committee admonished the company with the following statement [*Minutes of the Proceedings of the Subscribers...*, Vol. B (1836-1841), pp. 415-416]:

In one of the documents referred to by the president and directors, in their report of this day, there is a

statement purporting to be a 'statement of the debts & credits of the Chesapeake and Ohio Canal Company on the first of January 1841,' but this is admitted to be incorrect. It is therefore not to be relied upon.

The committee are [sic] therefore unable to present any satisfactory view on this point but will briefly state that as well as they can ascertain, in the absence of official statements ...

The review committee further stipulated that the company by-laws required that the treasurer present a financial report at each monthly board meeting, which had not been done since the current treasurer had been in office.⁵ The review committee made further statements regarding individual transactions relating to the sale of bonds issued by the State of Maryland for stock subscriptions. It also observed that the manner in which the bond sales were handled had cost the company a substantial amount of money. As a result, the stockholders removed the company president, the treasurer, and the directors from office.

At the August 1841 stockholders meeting, the review committee, having examined the company records further, identified additional problems. The review committee noted that several irregularities in vouchers were traced to a disregard of company policy by the former company president. The review committee also divulged that during the five months leading up to the change in officers, no accounting entries were made in the company books.

In 1845, the review committee made the following observation about the company's method of bookkeeping and asked that it be changed [*Minutes of the Proceedings of the Subscribers...*, Vol. C (1842-1846), pp. 488-489]:

They find that under the directions given to the treasurer, and in accordance with the custom, which has heretofore prevailed in the company, payments have been made for more than one purpose on the same warrant and the whole payment charged under the head of the principal item for which the warrant was drawn.

In consequence of this circumstance the abstract of receipts into and payments from the treasury instead of

⁵The treasurer referred to had been elected at the last annual meeting for the first time and had not served a full year. The board of directors met monthly. The company treasurer was supposed to present a financial report to the board at each of these monthly meetings.

exhibiting the actual condition of the affairs of the company in its items as well as in its final balances, only show the amount charged in the treasurers books under each head in the abstract instead of the whole amount of expenses properly chargeable under that head. Thus under the head of pay of lockkeepers, it appears by abstract that the amount paid in 1845 was \$627, whereas by reference to the accounts of the company it is found that the whole amount properly chargeable under this head is \$7,801.00.

The final review committee admonishment contained in the stockholder minute book came in 1857 and related to the organizational structure. At the 1855 annual meeting, a new slate of company officers had been elected. These officers had made changes to the company organization (such as combining the offices of treasurer and clerk). As a result of these unpopular changes in company organization, a new slate of officers was elected at the 1856 annual meeting, and the former company organization was restored. The 1857 review committee opined that they were grateful to see the former organization restored.

Once the canal was completed to Cumberland in 1850 [Appendix 1], the activity level of the review committee tapered off with respect to officers and directors, but admonitions with regard to company finance increased. After 1857, the review committee ceased providing commentary. No specific evidence in the records at our disposal seems to explain this phenomenon, but some observations seem plausible. After the two decades that constituted the development stage of the canal, the review committee may have outlived its role as the protector of the stockholders' interests.

By 1850, the prospects for the canal's completion to Pittsburgh were greatly diminished. The exploitation of recently discovered coalfields, proximate to Cumberland, made a ready market for canal transport. With the changing leadership and political climate in Maryland, this revised market role wherein rail transport was in ascendancy decreased the incentives for additional effort to perfect canal transport. In short, the canal era was reaching an end. A new generation of shareholders with different, and perhaps less ambitious, expectations may have become resigned to the declining viability of this form of transportation. Evidence of this change in interest is found in the significantly diminished levels of attendance and participation at stockholder meetings. Given the prominent past profile

of state ownership representatives, it is apparent that the political interest in, and support for, the canal as the "best bet" in transportation had waned. By the 1870s, an entirely different generation of shareholder representatives were likely involved, those content to accept the diminished prospects of the canal despite a brief interlude of profitability.

CONCLUDING COMMENTS

The surviving records of the C&O Canal Company provide opportunities for improved understanding of the processes of corporate governance and relatedly the financial management and reporting techniques employed by officials of an early American corporate enterprise. In addition, the materials provide an early example of accountability required in a corporate charter. In the discharge of this accountability requirement, the company adopted a stockholder review committee to oversee the annual reporting of the company to the stockholders. The process and findings of the review committee provide an example of the innovative processes by which the stockholders amended the corporate governance and financial reporting practices of the company.

The details of the activities of the shareholder review committee discovered in the C&O records reveal a pronounced level of involvement in the oversight of financial activities. This paper contributes to the literature of accounting history identified in previous research by McKee [1979], Kistler [1980], and Boockholdt [1983] which has been used to orient our findings with reference to stockholder committees and canal accounting and operations in other U.S. settings.

The activities of the C&O stockholder review committee discovered in our research support and inform our understanding of early control and reporting practices in U.S. corporations during the canal era. This evidence has shown that in the case of the C&O, the evolutionary process of financial reporting and corporate governance was greatly affected by the stockholder review committee. This group requested and effected changes in financial reporting and corporate governance. Previts and Samson [2000] described the evolution of financial reporting found in the annual reports of the B&O. This paper provides evidence that in the C&O, the catalyst for this type of evolutionary change was the stockholder review committee.

Future research into the financing, operations, and governance of U.S. canals is called for in order to identify the

practices of other canal companies. Such knowledge may assist both in identifying what constituted commonplace practice and the further tracing back of the origins of such practices.

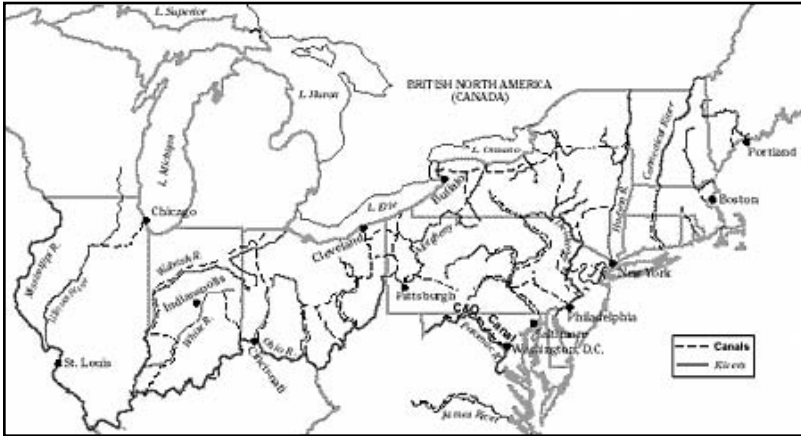
We encourage scholars to continue to investigate canal companies and the canal era not only for the sake of improving our understanding of the origins of corporate governance and financial management, but also to provide a clearer conclusion as to a particular episode, the dissolution of the C&O.

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APPENDIX 1
Canal and River Transportation in the 1850s



Source: <http://www.nps.gov/carto/index.htm>

APPENDIX 2**List and Location of Annual Reports for the Chesapeake and Ohio Canal Company for the Period of this Study: 1829-1857.**

Number	Year	Location copied from
1	1829*	Library of VA
2	1830	Library of VA
3	1831	Library of VA
4	1832	Library of VA
5	1833	Library of VA
6	1834	Library of VA
7	1835	Library of VA
8	1836	Library of VA
9	1837	Library of VA
10	1838	Library of VA
11	1839	Library of VA
12	1840	MD Law Library
13	1841	MD Law Library
14	1842	MD Law Library
15	1843	Library of VA
16	1844	MD Law Library
17	1845	MD Law Library
18	1846	MD Law Library
19	1847	MD Law Library
20	1848	MD Law Library
21	1849	MD Law Library
22	1850	MD Law Library
23	1851	MD Law Library
24	1852	MD Law Library
25	1853	NARA
26	1854	UVA
27	1855	MD Law Library
28	1856	UVA
29	1857	Report not located

NARA: National Archives and Records Administration, College Park, Maryland

MD Law Library: Maryland State Law Library, Annapolis, Maryland

Library of VA: The Library of Virginia, Richmond, Virginia

UVA: The University of Virginia Library

* The C&O broke ground in 1828, and the first annual report was presented at the end of the first year of operations in 1829.