



Communication Technology Transforms the Marketplace: The Effect of the Telegraph, Telephone, and Ticker on the Cincinnati Merchants' Exchange

BY BRADFORD W. SCHARLOTT

On the night of August 20, 1847, the tireless telegraph promoter Henry O'Reilly installed a Morse telegraph instrument in a small room above the meeting hall of the Cincinnati Merchants' Exchange. In less than two months, O'Reilly had extended the first telegraph line in the West from Pittsburgh to Cincinnati. Now the moment had come to see if the wire would carry the electrical impulses of Morse code back to the Pittsburgh telegraph office. The Cincinnati *Gazette* the following day described what happened:

Cincinnati and Pittsburgh shook hands yesterday by means of Mr. O'Reilly's telegraph. . . . The whole affair worked beautifully, and the first word Cincinnati uttered in the ear of Pittsburgh took the Iron City quite by surprise. She recovered her equanimity [sic] in a short time and very politely sent us an interesting communication The steamer *Cambria*, it will be seen, reached Boston on the afternoon of the 19th. . . . Breadstuffs were then dull¹

Both the setting and the first message reflected the strong ties between the telegraph and commerce. The telegraph line terminated in a room above the Merchants' Exchange—the central meeting place for the city's merchants—because the members of the Exchange needed telegraphic reports as soon as they came off the wire. Indeed, the Exchange and its companion organization, the Cincinnati Chamber of Commerce, helped bring the telegraph to Cincinnati and undoubtedly influenced where the telegraph office would be located. And that prosaic first message—revealing that a trading vessel had arrived in Boston and that European bread prices were inactive—was precisely the sort of timely commercial information that Cincinnati businesses needed to help them trade in distant markets.²

Merchants welcomed the telegraph in Cincinnati and elsewhere because slow communication posed a serious obstacle to

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1. Recounted in Federal Writers' Project, *They Built a City: 150 Years of Industrial Cincinnati* (Cincinnati, 1938), 328–29.

2. See Bradford W. Scharlott, "Cincinnati Embraces the Telegraph," "The Telegraph and the Integration of the U.S. Economy: The Impact of Electrical Communications on Interregional Prices and the Commercial Life of Cincinnati" (Ph.D. diss., Univ. of Wisconsin, 1986), 37–83; see also Richard B. DuBoff, "Business Demand and the Development of the Telegraph in the United States, 1840–1860," *Business History Review*, 54 (Winter 1980), 459–79.

trade. Western merchants with farm commodities to sell had to wait a week or more to learn about prices in the East, and East Coast merchants had to wait just as long to learn about supplies in the West. The resulting uncertainty and risk meant most interregional trade had to rely on an expensive system of middlemen who traveled with goods and sold them in face-to-face negotiations. Institutions such as the Merchants' Exchange, aided by the telegraph, helped eliminate or diminish risk by allowing merchants to learn quickly about distant markets. And in time these institutions helped eliminate the need for the costly system of the middlemen.³

Not coincidentally, numerous institutions like the Cincinnati Merchants' Exchange arose around the time that the telegraph spread across the country.⁴ They generally received telegraphic news as soon as it came off the wire and therefore enjoyed a monopoly on current economic information. Hence, merchants and others who needed such information had to go to the exchanges to get it. Later in the century, the telephone and the ticker would further revolutionize markets, but in ways different from the telegraph. In the case of the Cincinnati Merchants' Exchange, the diffusion of telephones and tickers near the end of the century would allow businessmen to stop congregating at the exchange, since they could quickly get recent market news and make transactions without being there. These later innovations helped destroy the informational monopoly enjoyed by the Merchants'

Exchange and thus doomed it.

This essay investigates the role of communication technology in market development by examining the history of the Cincinnati Merchants' Exchange. Relying largely on the records of the Merchants' Exchange and its companion institutions, this research shows how the telegraph, telephone and ticker transformed the Exchange, and by extension, how they revolutionized markets across the United States.

The Merchants' Exchange Before The Telegraph

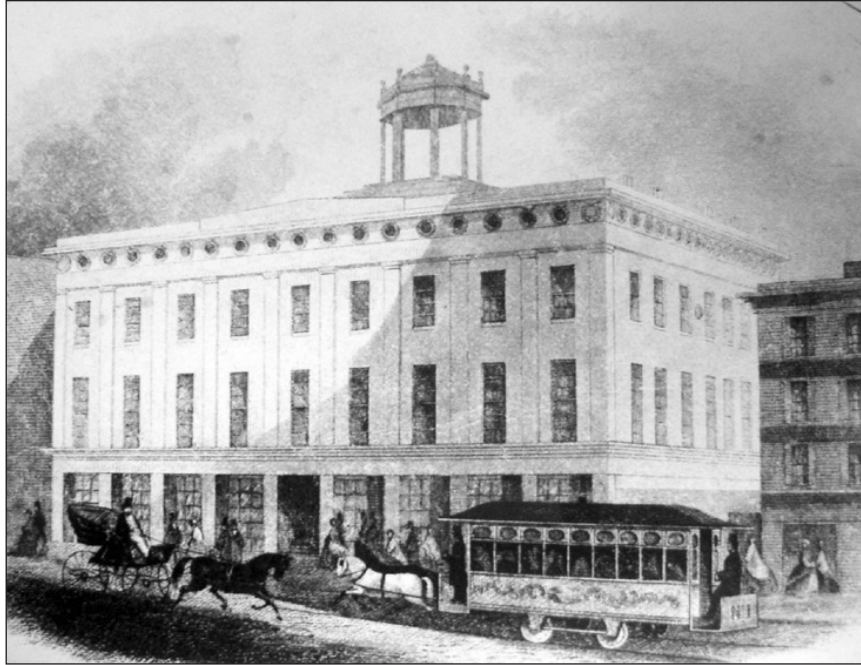
The first chapter in the story of the Cincinnati Merchants' Exchange occurred before the telegraph reached Cincinnati in 1847. The Exchange was founded in 1843 by the Young Men's Mercantile Library Association, itself formed by forty-nine Cincinnati businessmen in 1835. The Association's purpose was mainly to operate a library for its members' benefit. The Association started with modest means and was initially housed in the upstairs chambers of one of its members. By 1840, however, the organization had grown to more than 500 members and was prosperous enough to move into the Cincinnati College Building, near the center of downtown.⁵ In 1846, the Cincinnati Chamber of Commerce took charge of the Exchange.

In a sense, the Mercantile Library was the first effort by the businessmen of Cincinnati to provide a central facility to meet their informa-

3. On the system of middlemen, see Fred Mitchell Jones, "Middlemen in the Domestic Trade of the United States 1800–1860," *Illinois Studies in the Social Sciences*, 21 (Urbana, Ill., 1937). On the effect of the telegraph in reducing uncertainty and allowing point-to-point transactions, see John G. Clark, *The Grain Trade of the Old Northwest* (Urbana, Ill., 1966), 119–21.

4. See Richard B. DuBoff, "The Telegraph and the Structure of Markets in the United States, 1845–1890," *Research in Economic History*, 8 (1983), 258, which notes a dozen such institutions that arose shortly before or after the spread of the telegraph.

5. Charles Cist, *Cincinnati in 1841* (Cincinnati, 1841), 110–11.



This drawing, which hangs in the Cincinnati Mercantile Library, depicts the New College Building, where the Merchants' Exchange was located from 1845, when the building was erected, till 1869, when it burned down. (IMAGE COURTESY THE CINCINNATI MERCANTILE LIBRARY.)

tional needs. Besides acquiring books, the Library obtained periodicals and provided a reading room for members. The Library subscribed to ten magazines and twelve newspapers, "sufficient to furnish at all times early commercial and miscellaneous intelligence from the most important commercial points of our country," the Library's board reported in October of 1840.⁶

The Library started the Merchants' Exchange on May 1, 1843. One reason was that a need arose for a place where Library members could speak without disturbing others. The preceding month the board of directors had noted that conversations in the reading room disrupted readers, prompting the

board to rent an additional room at the College Building to house the Exchange.⁷

Yet, a reason other than noise abatement may be inferred from merchants' actions. Two months after the Exchange opened, ninety merchants had subscribed to it at the rate of \$5 per year. The board reported that only ten more subscribers would be needed to meet the estimated expenses, which included a \$400 annual salary for the Exchange's record-keeper.⁸ The board gave a second reason in 1846, when it wrote that it had founded the Exchange at "the urgent solicitation" of the leading merchants of Cincinnati.⁹ Why would merchants feel any urgency about starting such an institution? Thriving merchants' exchanges

6. See Oct. 17, 1840, entry in the bound volume *Records of the Young Men's Mercantile Library Association*, containing the manuscript minutes of the meetings of that association; it is housed at the Mercantile Library, Cincinnati, Ohio. This volume will hereafter be referred to as *Mercantile Library Records*.

7. *Mercantile Library Records*, April 4, 1843.

8. *Ibid.*, July 8, 1843.

9. *Ibid.*, Oct. 6, 1846.

had been operating in cities like Philadelphia and New Orleans since the 1830s, and the merchants of Cincinnati probably saw the creation of their own exchange as a step toward achieving the prominence of those cities.¹⁰

The Library's board intended for the Exchange to serve two purposes. First, records would be kept there of the city's commercial activities, such as imports and exports by canal, river and railroad, and arrivals and departures of steamboats. Second, the Exchange was supposed to become the central meeting place for the city's merchants who, the organizers hoped, would congregate to read the commercial information and engage in transactions. To facilitate such activity, the organizers appointed an hour of "'Change" when transactions were to be made.¹¹ Where did they get the idea of "trading on 'Change"? Probably from the established exchanges. Ever since the mid-thirties, for example, the merchants of Philadelphia had met at noon to transact business during the hour of 'Change.¹²

The Exchange got off to a slow start. In its report of January 1844, the Library's board noted that "the merchants have failed to attend very regular during the hour of 'Change but this omission is with themselves, and not with the arrangements of the room." Still, the board found reason for optimism, since "the statistics, mercantile news, and other items of interest to merchants and leaders generally have been the means of increasing the number of visitors to the Exchange and Reading Room, at all hours

of the day." So, despite the mixed success of the Exchange after its first eight months, the board recommended continuing it.¹³

Yet three months later the board seemed hopeful of severing its ties to the Exchange. "It is contemplated to continue the Merchants Exchange [as] a distinct organization. . . . an Exchange is more properly an appendage to a Chamber of Commerce than to a library association." Moreover, the Exchange still apparently lacked sufficient community support, for the board found it necessary to write that the merchants of Cincinnati "should not regard its present usefulness [sic] so much as the very great benefits which will result from it in the course of a few years. If they will secure the money necessary to carry it on. . . . the Board will give it all due attention. . . ." ¹⁴

On January 19, 1845, the College Building burned down. Members of the Mercantile Library managed to save most of the Association's books. The Library along with the Exchange moved to temporary quarters at the First Presbyterian Church, further from the center of town. The Library and the Exchange would remain there for a year and a half while the College Building was being rebuilt.¹⁵

In April, the Library's board was urging the city's merchants to fund a Merchants' Exchange building to rival those "in the Eastern and Southern cities." By the following January, however, the board had dropped the idea. The reason was that the members of the Mercantile Library during the preceding year had collected

10. On the Philadelphia Merchants' Exchange, see J. Thomas Scharf and Thompson Westcott, *History of Philadelphia 1609–1884*, vol. 1 (Philadelphia, 1884), 634–35; on the New Orleans Merchants' Exchange, see Federal Writers' Project, *New Orleans City Guide* (Boston, 1938), 232.

11. See *Mercantile Library Records*, Jan. 6, 1846, where the board reviewed the history of the Exchange.

12. Scharf and Westcott, *History of Philadelphia 1609–1884*, vol. 1, 635.

13. *Mercantile Library Records*, Jan. 2, 1844.

14. *Ibid.*, April 2, 1844.

15. See *ibid.*, April 1, 1845, and subsequent entries; see also, Charles F. Goss, *Cincinnati: The Queen City 1788–1912* (Chicago, 1912), 350–51.

\$10,000 from the city's business community to rebuild the College Building. In return, the Library was to receive an extraordinary 10,000-year free lease (still in effect today) on greatly expanded quarters in the new building. The board decided that the Association should make some of its space available for the Exchange rather than exhort the business community to fund another building.

The board recommended that the Library's largest room be reserved for the Exchange. The room should be suitably furnished, it wrote, to make it attractive to merchants and others "for the transaction of many kinds of business. For the sale of real estate and stocks at auction, or private sale." To aid in this, the board again urged that a time for 'Change be set: "Subscribers can establish an hour for meeting there, which once adopted would be found greatly to facilitate business"¹⁶

On July 4, 1846, the Mercantile Library moved into the new College Building, and a large room on the north side, soon to be known as Exchange Hall, became the home of the Merchants' Exchange.¹⁷ On September 1, with the blessing of the Library's board, the Chamber of Commerce officially took over the Exchange, leasing the Exchange Hall from the Library for five years at one dollar per year.¹⁸ Thus ended the first phase of the Exchange's existence. The next phase would be dominated by the telegraph.

The Impact of the Telegraph on the Exchange

As the Library's board suggested, the Chamber of Commerce was the most logical custodian of the Merchants' Exchange: the Chamber's chief purpose was to promote Cincinnati's business interests, and the Exchange was organized to serve the city's commercial needs. The reason the Chamber had not founded the Exchange in the first place was that the Chamber itself had only been formed in 1839 (largely due to the efforts of the Mercantile Library), and it probably did not have the wherewithal to run the Exchange in the early forties.¹⁹

But in 1846 the Chamber was keenly interested in the future of the Exchange. One reason is that by 1846 it was clear that telegraph lines would soon connect the major commercial centers, and that institutions like the Exchange were logical terminus points for telegraph lines. In January of that year, for example, a line from Newark, New Jersey, reached Philadelphia, terminating at that city's Merchant Exchange.²⁰ At the very time that the Chamber's officers were arranging to take over the Cincinnati Exchange, they also were working hard to bring the telegraph to Cincinnati.²¹

The Chamber, like the Mercantile Library, had been housed in the College Building before it burned down. And it, too, moved back into the rebuilt College Building in mid-

16. *Mercantile Library Records*, April 1, 1845.

17. *Ibid.*, July 4, 1846.

18. *Ibid.*, Oct. 6, 1846.

19. See *Dedicatory Exercises at the Opening of the New Building of the Cincinnati Chamber of Commerce and Merchants' Exchange* (Cincinnati, 1889) for an overview of the history of the Chamber of Commerce.

20. See *Report of the Proceedings of a Meeting of the Stockholders of the Atlantic and Ohio Telegraph Company, Held in Philadelphia, July 19, 1849* (Philadelphia, 1849), which reviewed the history of that pioneer company. This pamphlet is available in the *Henry O'Reilly Document Series*, New-York Historical Society, New York, N.Y.

21. The Chamber's officers would soon become key players in a struggle between Henry O'Reilly and the Morse patentees over who had the right to extend the telegraph to Cincinnati and beyond. But that story is recounted elsewhere. See Robert L. Thompson, *Wiring a Continent* (Princeton, N.J., 1947), 44, 66, 81, 98.

1846.²² The Chamber then arranged for the takeover of the Merchants' Exchange, and on August 11, it ratified bylaws for the Exchange.²³ The bylaws give insight into the functions the Chamber expected the Exchange to fulfill. Section Two of the bylaws read: "The period from twelve to half past one o'clock daily, shall be specially set apart for a General Meeting of Members for the transaction of business."²⁴ In other words, that hour and a half would serve as the period of 'Change, which the Mercantile Library had tried unsuccessfully to establish.

Section Four of the bylaws provided that

Bulletin Boards shall be erected in the Hall, whereon the latest news of general interest, *recent reports of important mercantile transactions in this and other markets*, copies of Steam Boats' Manifests, with transcripts of their logs, and other commercial intelligence, shall be placed by the Superintendent, at the earliest possible moment . . .²⁵

So far as records reveal, the Exchange, under the Library's governance had never posted reports of transactions in other markets; the Chamber's members seemed here to be anticipating the arrival of the telegraph.

The city's newspapers welcomed the takeover of the Merchants' Exchange by the

Chamber of Commerce. On August 29 the *Gazette* wrote that "the establishment of a Merchants' Exchange, on an enlarged and permanent basis . . . is an important step, and every merchant in the city should promptly come forward to sustain it. . . . A common center of trade, such as the Exchange will furnish, will greatly facilitate commercial operations, and economise [sic] to an extent that would hardly be supposed possible. . . ." The *Commercial* echoed those sentiments by reprinting the article two days later.²⁶

Despite the initial enthusiasm, the first days of the Exchange under the Chamber of Commerce were disappointing. The *Gazette* reported that on the first day of 'Change, only lard, mustard, buckets, flour, whiskey, and salt changed hands.²⁷ The second day was worse, and the *Gazette* noted, "There were numerous sellers, but not many buyers."²⁸ The *Daily Enquirer* was so unimpressed that it ventured that the Exchange would provide comprehensive statistics, stating "We do not anticipate, for the present . . . that it shall be the central and exclusive mart, where merchants must do congregate. . . ."²⁹ The slow start of the Exchange must have been on the minds of the members of the Chamber the following week when they unanimously adopted this resolution:

22. See July 23 and 30 entries in the bound volume *Cincinnati Chamber of Commerce Meetings*, containing the manuscript minutes of meetings of the association; it is housed at the Cincinnati Historical Society, Cincinnati, Ohio. [This volume will hereafter be referred to as *Chamber of Commerce Meetings*.]

23. *Constitution and By-Laws of the Cincinnati Chamber of Commerce and Merchants' Exchange As Adopted At the Reorganization of the Chamber, August 11, 1846* (Cincinnati, 1847). This pamphlet is available at the Cincinnati Historical Society.

24. Ibid.

25. Ibid. Emphasis mine.

26. *Cincinnati Gazette*, August 29, 1846; *Cincinnati Daily Commercial*, August 31, 1846.

27. *Cincinnati Gazette*, September 2, 1846.

28. Ibid., September 3, 1846.

29. *Cincinnati Daily Enquirer*, September 3, 1846.

Whereas the project of connecting Cincinnati with the Eastern Cities, by means of the magnetic Telegraph, has already been commenced in Philadelphia and Pittsburgh and in a short period will probably be presented for the consideration of our citizens; *and whereas its termination in the College Building is essential to the prosperity and success of the Merchants' Exchange*; therefore Resolved that the members of the Chamber of Commerce pledge themselves individually to use all proper influence to effect this object. . . .³⁰

The termination of the telegraph line in the College Building was deemed "essential" to the success of the Exchange because the members viewed the telegraph as the magnet that would draw merchants and others to the Exchange to read the telegraphic reports. They wanted the first line to the city to come to the building that housed their exchange so telegraphic messages could reach them there as soon as possible. And, as noted, the first telegraph line to Cincinnati indeed terminated in the College Building on August 20, 1847.

After the telegraph arrived, the Chamber immediately faced the question of how to obtain telegraphed market reports. The Chamber soon entered into an agreement with the city's daily newspapers to share telegraphic reports. On September 14, Henry O'Reilly's telegraph company issued a statement signed by "Richard Smith, Agent for Cincinnati Newspapers and Merchants' Exchange." In that leaflet, Smith rebutted charges that telegraph employees held back from a Columbus paper news that appeared first in Cincinnati papers. The Cincinnati papers got

the news first, Smith explained, because it was sent from "our *exclusive* correspondent," and he went on to note that he (Smith) had been employed by "the newspapers, and by the Merchants' Exchange of Cincinnati, to send and receive telegraphic despatches [sic]. . . ." ³¹

Smith's statement did not say whether the newspapers and the Exchange shared the commercial news he received, but they undoubtedly did. The overwhelming majority of the earliest telegraphic reports that appeared in Cincinnati newspapers consisted of commercial news, especially market reports.³² Given that both parties were disseminating the same kinds of information, it only made sense for the newspapers and the Exchange to share expenses and reports.

Richard Smith was part of a small group of enterprising individuals nationwide who, upon the arrival of the telegraph, recognized the need for correspondents to gather, send and receive telegraphic news. The first telegraphic reporter anywhere was perhaps Alexander Jones, who would eventually become the first general manager of the Associated Press of New York. Jones recalled in 1852 that he "commenced sending and receiving commercial reports . . . early in 1847, between New York, Baltimore, Boston and Buffalo, and subsequently between New-York [sic] and Cincinnati, New Orleans and St. Louis."³³ Jones worked for both a consortium of New York newspapers (which would later form the Associated Press) and the New York Merchants' Exchange.³⁴

Jones wrote that "after a year or two," three

30. *Chamber of Commerce Meetings*, September 7, 1846. Emphasis mine.

31. See flier titled "Atlantic, Lake and Mississippi Telegraph Range. Including the Ohio Valley. Missapprehension [sic] corrected." in the *Henry O'Reilly Document Series*.

32. See Scharlott, "The Telegraph and the Integration of the U.S. Economy," 29–30; and DuBoff, "Business Demand and the Development of the Telegraph in the United States, 1840–1860," 468.

33. Alexander Jones, *Historical Sketch of the Electric Telegraph* (New York, 1852).

34. *Ibid.*, 136, 142.

or four independent telegraph reporters organized into an association, which “employed others in various important localities to forward and receive news for the press. . . . Their services were either paid for at stated weekly salaries, or in steamers’ [news] and other news forwarded in exchange.” Jones noted that Richard Smith was affiliated with this association.³⁵ Smith presumably exchanged news with his counterparts in New York and elsewhere and sold it in Cincinnati to the newspapers and that city’s Merchants’ Exchange. Jones wrote that the association of independent telegraph reporters dissolved after about a year (around 1850), to be replaced in effect by the formal organization of the New York Associated Press.³⁶ Smith would remain a wire reporter until at least 1853.³⁷

Although the Merchants’ Exchange established ’Change nearly a year before the arrival of the telegraph, the coming of telegraphic reports greatly enhanced its usefulness. Less than three weeks after the arrival of the telegraph, the *Gazette* observed:

A year ago, when ’Change was established in this city, the experiment was considered one of doubtful issue. Now, the institution could not be gotten along without. Our merchants would not know where else to go for “the news,” and would feel quite awkward were they to undertake to operate elsewhere than on ’Change.³⁸

The degree to which the telegraphic reports became central to ’Change was highlighted the following year. At their October 16 meeting, the membership voted to institute an evening hour of ’Change from 7 to 8 o’clock, in addition to the period from noon to 1:30. After that motion carried, the officers of the Exchange were instructed to “make an arrangement for evening Telegraph Dispatches. . . .”³⁹ By 1848, it seems, the telegraph and transacting on ’Change had become inseparable.

The Chamber reached a milestone on March 23, 1850, when the state legislature granted it a charter as the Cincinnati Chamber of Commerce and Merchants’ Exchange, the full name now used by the organization.⁴⁰ It reached another milestone on September 1, 1851, because that date marked the end of the five-year lease the Mercantile Library had granted the Chamber on its largest room for use as the Exchange Hall. The Library now wanted the room. Therefore, the Chamber arranged to rent another large room on the second floor of the College Building to serve as the home of the Merchants’ Exchange. Now, however, the Chamber would have to pay \$700 annual rent instead of the nominal \$1 a year that the Library had charged.⁴¹

The annual statement for the Chamber of Commerce that Richard Smith issued at the time of the move reflects the extent of the development of the Exchange in those first

35. Ibid., 148.

36. Ibid., 136.

37. See *American Telegraph Magazine*, Jan. 31, 1853, 156, where Smith is listed as the telegraphic commercial news agent in Cincinnati.

38. *Cincinnati Gazette*, September 20, 1846.

39. *Chamber of Commerce Meetings*, October 16, 1848.

40. See *Dedicatory Exercises at the Opening of the New Building of the Cincinnati Chamber of Commerce and Merchants’ Exchange*, 20–22.

41. See article titled “Annual Report of the Secretary of the Cincinnati Chamber of Commerce [Richard Smith] for the year ending August 31, 1851,” in *The Cincinnati Price-Current, Commercial Intelligencer and Merchants’ Transcript*, September 10, 1851, 2.

five years. Smith noted that the \$5 annual subscription fee for an individual membership would have to be increased to \$10 to meet the higher rent, and then he emphasized the value of belonging to Cincinnati's Merchant's Exchange: "It is not likely that many of our members would object to an increase in the price of subscription. In New York the subscription to the Exchange alone, is \$10 for each individual, and the subscription to the Exchange Reading Room is also \$10." Moreover, the statistical information collected at the New York exchange "is nothing compared with the information recorded and exhibited on the books of our Exchange." Thus, Smith reasoned, "more is furnished here for \$5, than the New York Exchange supplies for \$20." Likewise, he continued, members of the St. Louis Merchant's Exchange pay more (\$15 annually) for an inferior exchange. Comparisons with still other cities "would show most conclusively that the Exchange connected with the Chamber of Commerce in this city, is more useful to members, than any similar institution in the United States."⁴²

Smith, of course, had reason to exaggerate, but Cincinnati's Exchange must have developed considerably in the previous half-decade for him to make such claims. He noted in his report that sixty firms and 219 individuals belonged to the Exchange. That year, the organization had total revenues of \$3,288.75, including \$693.24 from newspapers for market reports. Among the

expenditures for the year was \$260 for "Telegraph Markets," presumably the amount paid to a local telegraph company for transmitting and receiving market reports.⁴³

As the Exchange matured, its membership had to adopt rules to ensure that everyone be given simultaneous access to information. In November 1851, the members of the Chamber passed a resolution that the superintendent "withhold all information of general interest . . . until he is ready to post it upon the Bulletin Board or announce it from the stand." The minutes of the meeting noted that the resolution was "to relieve the superintendent from embarrassment when questioned as to the contents of [telegraph] reports while transcribing them." Some of the members apparently had attempted to gain an advantage in trading by trying to pry information from Smith before all the members had access to it.⁴⁴

By December 1855, telegraph companies were competing for the business of the Merchants' Exchange. In that month, Western Union and the National Lines System (of which O'Reilly's pioneer company was a part) submitted proposals to the Chamber for the organization's telegraphic business. The following month, the contract was awarded to Western Union.⁴⁵ The contract allowed the company to place a telegraph in the Exchange itself, which had obvious benefits: news could reach the members of the Exchange faster, and orders to buy and sell in other markets could be placed from the Exchange.⁴⁶

42. Ibid.

43. Ibid.

44. *Chamber of Commerce Meetings*, November 6, 1851.

45. See entries for Dec. 8, 1855, and Jan. 14, 1856, in *Cincinnati Chamber of Commerce and Merchants' Exchange, Board of Officers*. This volume, which contains the manuscript minutes of the meetings of the board, is housed at the Cincinnati Historical Society.

46. See *Williams' Cincinnati Directory, 1856* (Cincinnati, 1856), 260, which contains an advertisement for Western Union noting that it has a branch office in the Exchange. Western Union absorbed O'Reilly's pioneer Pittsburgh, Cincinnati & Louisville Telegraph Company in 1856.

Richard Smith's annual report for the Chamber of Commerce in September 1856 makes clear why the telegraph companies were so anxious for the contract. In the preceding year, the Exchange spent \$937.95 for telegraphic reports, nearly a fourfold increase over the amount spent five years before. The increased expenditures on the telegraph were accompanied by increased use of the Exchange by merchants, as shown by a highly detailed article about of activity on 'Change, published in 1856 by the *Cincinnati Price Current*. The article provides a rare glimpse of the Exchange's daily bustle in the 1850s:

... on 'Change each day ... may be seen scores of hog-drovers from Ohio, Kentucky, Tennessee, Indiana, and Illinois, anxious to ascertain the state of the hog market, and witnessing the rise or fall of pork, with the most absorbing interest. Here are the flour dealers, and grain dealers, and all kinds of commission forwarding, and importing merchants, bankers, steamboat and railway agents—millers, distillers, and manufacturers, both from our own city and the surrounding towns. Here also may be seen leading provision dealers from New Orleans, Baltimore, Philadelphia, New York, and Boston; and from the British provinces and not only do we find representatives from American cities, but here may be found provision men and speculators from Liverpool, London, Paris, Glasgow, Hamburg and Bremen. ... The amount of merchandise which changes hands here, each day, is enormous ...⁴⁷

As noted, most interregional trade in farm commodities before the telegraph relied on a system of commission merchants who would take the commodities to their final market, usually to an Eastern city or to Europe, before making a sale. Only after the telegraph reduced

the risk in such trade did Western cities become the points at which final sales were typically made.⁴⁸ The above passage makes clear that Cincinnati, less than a decade after the coming of the telegraph, was a major point for such transactions. The article concluded:

The commercial news by each steamer from Europe is made public on the bulletin boards as soon as the steamers arrive at Halifax or New York, if in the day time. Special reporters are employed in New York and other places to furnish all interesting commercial news by telegraph. A full and accurate telegraph report of the New York market for all leading articles, is read during 'Change each day.

Since a permanent transatlantic cable would not be laid until 1866, the fastest way to get news about European markets was from the steamers that arrived at Halifax or New York.⁴⁹ The daily reports from New York were read aloud during 'Change to get the information to everyone assembled there as soon as possible.

By the mid-1850s, the Merchants' Exchange, aided by the telegraph, had become a mature market institution essential to the commercial life of the city.

The Impact of the Telephone and Ticker on the Exchange

The Cincinnati Merchants' Exchange would remain a robust institution during the Civil War and after, and the telegraph would continue to play a vital role in it, at least through the 1880s. The increasing importance of the telegraph to the Merchants' Exchange is seen in the money the institution paid for

47. The article was reprinted in *Hunt's Merchant Magazine*, 34 (1856), 521.

48. See note 3, above.

49. Victor Rosewater, *History of Cooperative News-Gathering in the United States* (New York, 1930), 27–33.

telegraph reports in various years: 1852, \$260.00; 1856, \$937.95; 1866, \$5,441.93; 1875, \$6,492.00; 1886, \$8,212.88.⁵⁰ By the early twentieth century, however, the institution was clearly in decline, as other innovations in communication technology helped eliminate the advantages to Cincinnati merchants of meeting face to face on 'Change each day.

On October 20, 1869, the College Building burned down again, and the Chamber of Commerce and Merchants' Exchange moved less than a block away to Smith and Nixon's Hall on Fourth Street, where the organization would remain for twelve years.⁵¹ In its 1874-75 fiscal year, while at that location, the Chamber first installed in the Exchange a telegraphic device of the American District Telegraph Company, with which local messages could be sent to a downtown office; from there, messenger boys would quickly deliver them.⁵² This device probably lessened the need for some people to be present for 'Change, since others at the Exchange could send them telegrams when necessary.

Also that year the Chamber placed in the Exchange a device of a business called the Fire Alarm Telegraph Company, "so that members can be immediately advised of the locality of any fire alarm during Exchange hours." And the Exchange installed more bulletin boards and halted the practice of reading telegraphic

market reports during 'Change, probably because the volume of information made it impractical to read it all.⁵³

Around the same time, yet another telegraph company was growing in Cincinnati: the City & Suburban Telegraph Association, which incorporated in 1874. This company strung telegraph lines within the city, leasing them mainly to merchants for intraurban communication between offices and plants or residences. By the middle of 1877, the company had strung about fifty such wires in the city.⁵⁴

The City & Suburban's lines served as the basis for the introduction of the next truly revolutionary communications device in the city: the telephone. In 1877, the first telephone conversation held in Cincinnati was transmitted over one of the company's lines, and the following year, the City & Suburban entered into a contract with American Bell to supply telephone service to the city and surrounding area. By March 1879, there were over 300 subscribers to the telephone service in the area, and by 1884, over 2,500.⁵⁵

In 1881, the Chamber of Commerce moved again, this time to Pike's Opera House, also on Fourth Street.⁵⁶ It was in this building, where the organization would remain for eight years, that the Exchange apparently first made use of telephones, no later than 1882. The annual report for 1882-83 noted: "Increased tele-

50. [Cincinnati] *Chamber of Commerce Annual Reports*, 1856, 1866, 1875, 1886. A set of these bound volumes is housed at the Cincinnati Historical Society.

51. Goss, *Cincinnati: The Queen City*, 351.

52. *Chamber of Commerce Annual Report*, 1875; see also Federal Writers' Project, *They Built a City*, 333, on the American District Telegraph Co.

53. *Chamber of Commerce Annual Report*, 1875.

54. *Cincinnati Bell Centennial 1873-1973* (n.p., 1973), 6-7. The Chamber of Commerce's annual reports do not reveal that the Exchange made use of the Suburban's telegraph lines. For an overview of the use of the telegraph for intraurban communication, see Joel A. Tarr, Thomas Finholt, and David Goodman, "The City and the Telegraph: Urban Telecommunications in the Pre-Telephone Era," *Journal of Urban History*, 14 (November 1987), 38-80.

55. *Ibid.*, 7-12.

56. Goss, *Cincinnati: The Queen City*, 351.

phonic facilities being found desirable, the service was extended on January 1 to five telephones, in the Merchants' Exchange, at an annual expense of \$600, including three attendants. . . ."⁵⁷ Obviously, the use of telephones in the Exchange helped free some merchants from the necessity of attending 'Change each day, as they could call the Exchange for the latest commercial information they needed, or could call other merchants located anywhere there was a phone rather than meet them at the Exchange.

Still another innovation in communication technology appeared in the postbellum period that would affect exchanges everywhere: the ticker. In 1863, Edward A. Calahan obtained a patent for the device, which could rapidly register telegraphed price quotations on a strip of paper. The Gold and Stock Telegraph Company was incorporated in 1867 to use the apparatus. The company rented its tickers to subscribers and would transmit over all devices simultaneously the latest quotations from specific markets, the first being gold and stocks, accounting for its name. Until 1871, the company operated only in the New York City area, placing over 700 devices in the offices of brokers and others, thus allowing them to obtain the latest quotations from the gold and stock exchanges without being present at them.⁵⁸

In 1871, Western Union acquired the Gold and Stock Telegraph Company and allowed it to take over its Commercial News Department, which for some time had supplied statistics for various commodities to subscribers. In its enlarged capacity under Western Union, the

company began providing price quotations and additional statistics for other markets, eventually including produce, cotton, and various securities.⁵⁹

The Cincinnati Merchants' Exchange made use of the Gold and Stock Telegraph Company no later than 1878, and probably before that; in his annual report for 1877-78, the chamber's secretary noted that the "constantly increasing tariff charged by the Gold and Stock Telegraph Company" made it necessary for the board to reduce the number of reports received. He reported that a contract had been made with the company for its services for \$500 per month.⁶⁰ In 1882, the Exchange placed three Gold and Stock tickers in the exchange, one at each of the bulletin boards. The secretary noted that tickers "greatly reduced the interval between the transmission and receipt of our reports at the Exchange, and very materially increased the value of this branch of the service."⁶¹ While the tickers may have added value to the information received at the Exchange, the proliferation of them would ultimately diminish the exclusive nature of the information, which members formerly could find only at the Exchange. By 1904, at the latest, Cincinnati investment brokers had begun using tickers in their own offices, thus offering distant market information as soon as the Exchange could offer it.⁶²

Even as technological forces were beginning to undermine the need for a Merchants' Exchange in Cincinnati, the Chamber began planning, around 1878, the construction of its own building with a grand Exchange Hall. More than a decade later, in 1889, the

57. *Chamber of Commerce Annual Report*, 1883.

58. James D. Reid, *The Telegraph in America* (1888), 822-24.

59. *Ibid.*, 824-31.

60. *Chamber of Commerce Annual Report*, 1878.

61. *Ibid.*, 1882.

62. Reid, *The Telegraph in America*, 830; see also *Williams' Cincinnati Directory, 1904* (Cincinnati, 1904), 36-37.

organization moved into its splendid new Cincinnati Chamber of Commerce and Merchants' Exchange Building, at the corner of Fourth and Vine streets.⁶³ In 1911, this edifice, too, burned to the ground. In its place was built the thirty-four story Union Central Building, then the tallest structure west of New York. The Chamber of Commerce occupied the second and third floors of the building and again set up a room for the Exchange. A Chamber of Commerce publication tellingly described it in 1916:

The exchange hall is the meeting place for business men. . . . At present the principal commodities handled are grain and hay. Formerly many other articles were dealt in, but with the advent of the telephone and other modern instruments of business, the barter on the exchange has been limited practically to grain and hay. . . . The exchange is not a stock exchange. . . .⁶⁴

The once bustling Exchange where numerous commodities changed hands had been reduced to a place for the sale of a few items. Significantly, no mention is made of 'Change, once the most prominent feature of the Exchange. No longer did business people, drawn by the magnetism of telegraphic reports read aloud each day, need to congregate at an appointed hour to get the latest commercial

news or to engage in transactions. Widespread telephones and tickers now allowed them to obtain information and make deals practically whenever and wherever they wanted. By 1916, the Exchange was well on its way to becoming a relic.

The Exchange lingered on, at least till the Chamber of Commerce celebrated its centennial in 1939.⁶⁵ But by the time the organization moved from the Union Central Building in 1965, the Exchange was dead and no provisions were made for a new exchange hall.⁶⁶ At just about the same time, the organization changed its name to the Greater Cincinnati Chamber of Commerce, dropping the now superfluous "and Merchants' Exchange."⁶⁷

Conclusions

The telegraph, and later the telephone and ticker, profoundly affected the Merchants' Exchange, but in different ways. The telegraph enabled the Exchange to become a central meeting-place for the transaction of business, as its founders hoped it would be. As noted, the Cincinnati Exchange apparently was started in imitation of established merchants' exchanges elsewhere, such as Philadelphia and New Orleans. But before the coming of the telegraph, the Exchange failed to become a

63. See "Cincinnati Chamber of Commerce and Merchants' Exchange: History of Its Organization and Its New Edifice," *Cincinnati Chamber of Commerce Annual Report*, 1887.

64. Charles R. Hebble and Frank P. Goodwin, eds., *The Citizens Book* ["Published Under Auspices of the Cincinnati Chamber of Commerce"] (Cincinnati, 1916), 187–88.

65. See "100th Anniversary Dinner, Cincinnati Chamber of Commerce" (1939), at Cincinnati Historical Society, which refers to "a daily trading session—perpetuated to this day in the Mercantile Exchange. . . ." Notice that "Merchants' Exchange" in the quoted passage had changed to "Mercantile Exchange": the original identity of the institution was slipping away. Still, in this pamphlet produced for the organization's centennial, the chamber's full name was given as "The Cincinnati Chamber of Commerce and Merchants' Exchange."

66. See "C. of C. Planning to Move Offices," *Cincinnati Enquirer*, March 11, 1965, saved in Cincinnati Chamber of Commerce Scrapbook, Cincinnati Historical Society.

67. See "C. of C. Directors Put Name Change Up to Members," *Cincinnati Post*, March 23, 1965, Cincinnati Chamber of Commerce Scrapbook.

thriving center of trade. The telegraph helped change that. Merchants gathered there for decades to hear or read the latest telegraphic reports and then engage in business with one another or to use the telegraph to buy and sell. In time, transacting interregional business over the telegraph came to replace the use of middlemen merchants who accompanied goods to distant markets and then engaged in face-to-face negotiations. Thus, the telegraph allowed communications to replace travel in transacting business over long distances.⁶⁸

But if the telegraph helped eliminate the need for *interurban* travel in commerce, for a time at least it increased the need for *intraurban* travel. From the late 1840s through at least the 1870s, many Cincinnati merchants who needed the latest commercial information had to travel to the Exchange to get it. The telephone and the ticker then produced a second revolution in business practices. After the diffusion of these communication technologies, the Merchants' Exchange lost its monopoly on the most current commercial information. The second revolution decentralized *intraurban* business communications and transactions, and in the process undermined the Exchange.

The Cincinnati Merchants' Exchange was perhaps doomed from the start because it served the needs of a wide variety of merchants, from hog-drovers to distillers. As

markets matured nationwide in the postbellum years, particular institutions devoted to specific items or groups of items grew in importance. The Chicago Board of Trade became the leading grain exchange in the world. The New Orleans Cotton Exchange became the predominant commercial institution for that commodity.⁶⁹ As such exchanges gained sway over national markets, the need for multi-commodity merchants' exchanges diminished. Brokers with tickers and telephones enabled merchants to buy and sell in specific markets without being present at the Exchanges devoted to them.

Once it became possible to buy or sell almost instantly at any time, the level of risk involved in current transactions must have fallen to almost nothing. At that point, the risk in the commodities markets—and thus the opportunities for speculation and profit—lay in the future. After the Civil War, futures trading became a common feature of the leading exchanges.⁷⁰ The Cincinnati Merchants' Exchange was not destined to become a leading specialized exchange with futures trading like the Chicago Board of Trade. The Exchange was a transitional market institution that for a time helped meet the commercial-information needs of the city. And its life, as well as its death, was largely dictated by communication technology.

68. For a general treatment on the economic effects of the telegraph, see DuBoff, "The Telegraph and the Structure of Markets in the United States, 1845–90," 253–77. See also James W. Carey, "Technology and Ideology: The Case of the Telegraph," *Prospects*, 8 (1983), 303–23, for insights on how the telegraph helped separate communication from travel.

69. On the history of the Chicago Board of Trade, see Lewis H. Bisbee and John C. Simonds, *The Board of Trade and the Produce Exchange, Their History, Methods and Law* (Chicago, 1884); see also James E. Boyle, *Cotton and The New Orleans Cotton Exchange: A Century of Commercial Evolution* (Garden City, 1934).

70. See Carey, "Technology and Ideology," 315–19, for a discussion of how the telegraph made futures trading possible.