

THE BUSINESS ACTIVITIES OF C C WASHBURN

A thesis submitted to the Graduate School of  
the University of Wisconsin in partial fulfill-  
ment of the requirements for the degree of Doctor  
of Philosophy.

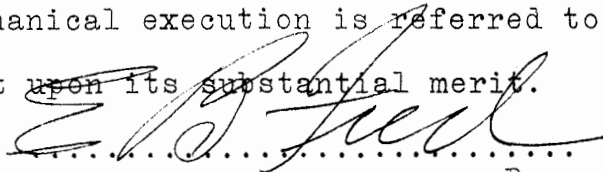
by

Clare Leslie Marquette



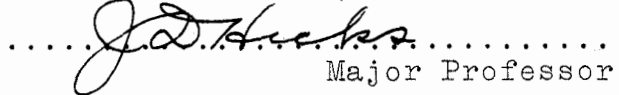
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BY

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A THESIS SUBMITTED FOR THE DEGREE OF  
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## INTRODUCTION

Washburn ranks as one of Wisconsin's leading nineteenth century industrialists despite the fact that his crowning achievement lies in the state of Minnesota. The story of his business accomplishments, of his rise from impecuniousness to opulence, from obscurity to a well-known member of the milling fraternity who Americanized the roller system of flour manufacture is filled with interest but frequently studded with personal and financial failure. There is scarcely any type of a business enterprise that he did not try or become an investor in. Only the prominent ones in which he apportioned the major share of his life or were the foundations of his wealth are herein recorded.

Washburn was fortunate in his period. He lived and developed financial acumen at a time of great national ferment in the middle period of the nineteenth century, and his career coincided with the migration attending the Northwest after the panic of 1837 and Mexican War, the opening of rich timber lands in Wisconsin and Minnesota, the growth of big business following the Civil War, and the increase in wheat acreage and population on the great plains. In short, he lived at a time when the number of unexploited opportunities in the West were almost unlimited.

He was providential in his heritage. Endowed with a good mind, a strong will, vision and ingenuity, he was able to take advantage of his many opportunities. Although he never enjoyed the fruits of a college education, he possessed the desire to gain knowledge for himself, a trait not infrequent in strong willed men. It cannot be said that he won friends easily, but his carriage and actions reflected honesty, and a friend gained remained faithful to him. He exhibited untold patience, acquired by a few short months at school teaching, a characteristic necessary for financial success on the frontier. Above all, he had ambition, an unquenching desire to make himself known and respected among men. This ambition over-taxed him, but he continued at a terrific pace never satisfied with his achievements.

Washburn was no less fortunate in his eastern connections and associates. While others in Wisconsin had qualities that attend financial success on a speculative frontier not all possessed sufficient capital. Both he and his partner Cyrus Woodman, had several wealthy friends to supply them with some funds necessary to take advantage of the copious opportunities in western speculation. They repaid their clients well, and as a result grew in prestige marking them as honest and progressive business men. Even after the dissolution of the partnership prestige gained in those formative years remained with Washburn all through his

business life. Indeed, it brought new associates.

The comparative paucity of personal papers, office files, income tax blanks and account books has made reliance upon government documents and letters of his friend, Cyrus Woodman, an absolute necessity in the preparation of this thesis. Although he occupied positions of public trust and military importance, in themselves interesting reading and work for future research, he regarded himself as an industrialist. Unlike his brothers, Israel and Elihu, politics to him were an avocation. He aspired to the United States Senate and the Cabinet, attended Congress, occupied the governor's chair, and attained the position of major general, but he always advertised himself as the "owner of the largest flouring mills in the world," and devoted his time, thought, and energy to maintaining his leadership in the business world.

## CHAPTER I

## WASHBURN: A PERSONAL SKETCH

The story is told that one time when the sons of Israel Washburn were gathered together at the ancestral home, being then mature men who had established themselves, "a dispute arose over the question of who among them had most distinguished himself." It was then agreed to submit the question to a secret ballot, and when the votes were deposited and counted it was found that each brother had received one vote. However, the second ballot revealed that Cadwallader had obtained all but one, and thus received the most signal honor his brothers could give him.<sup>1</sup>

Cadwallader C. Washburn was born at Livermore, Maine, April 22, 1818. He began his education in the common schools of the neighborhood, continued it under a tutor from Hallowell Academy, and completed it with his uncle, Reuel Washburn, a graduate of Brown and one acquainted with the classics. All of that took place before the boy was twenty; indeed, while he worked on his father's farm, clerked in a store at Hallowell, and acted as a postal clerk in the same village. His vocational education, the study of law, he received from the same uncle and from Joseph Wells, of Rock

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<sup>1</sup>Gaillard Hunt, *Israel, Elihu and Cadwallader Washburn: A Chapter in American Biography* (New York, 1925), 3.

Island, Illinois, mostly the latter, off and on from 1839 to 1842. In 1842, he was admitted to the bar at Lancaster, Wisconsin on the motion of Moses M. Strong. Despite the meagerness of his education, he wrote interesting and lucid letters, and spoke clearly, probably the result of law training and self-education.<sup>2</sup>

For about a year and a half he worked for Merrit Coolidge, a merchant of Hallowell, before he left to take a job in the local post office. The light duties of the office gave him ample time to prepare for teaching. In 1838, he became principal of a school in Wiscasset, Maine, and, curiously enough, stayed with the same couple who boarded his father years previously when the latter taught at Dresden.<sup>3</sup> Although of a very patient disposition and given the school for another term, in 1839, he left Maine to settle somewhere in the old Louisiana Territory, the fulfillment of a childhood dream. His journey westward was not spectacular, but his letters of the trip reveal an earlier disappointment of being denied admission to West

<sup>2</sup>Op. cit., 297-300. A manuscript account of the life of C. C. Washburn by E. B. Washburne is in the Wisconsin Miscellaneous Studies Volume 23, Document 10.

<sup>3</sup>C. C. Washburn to Cyrus Woodman, January 3, 1876, Woodman Papers in possession of the State Historical Society of Wisconsin. Hereafter, for the sake of brevity, the names will appear without the initials, and will be cited as Woodman Papers. The Washburn Papers will be similarly quoted, but the E. B. Washburne Papers will bear the full citation. To avoid confusion all Washburns or Washburnes, save for Cadwallader, will be accompanied by a name or an identifying initial. All manuscript sources are in the Archives of the Society.

<sup>4</sup> Point. After calling on several acquaintances of the family and traveling the Mississippi above Quincy, he taught school, and became a member of Dr. David Owens' survey in 1839. The fall of that year found him in the lead district, recording and surveying lands in the interest of the government. Upon his return, he set himself seriously at the study of law, a subject which never captured his attention.

In December, 1840, Cyrus Woodman left Boston and came to northern Illinois as assistant agent for the Boston and Western Land Company.<sup>5</sup> In 1843, upon the dissolution of the company, Woodman moved from Winslow, Illinois, the center of the firm's holdings, to Mineral Point, Wisconsin, and in the next year joined with Washburn in the partnership of Washburn and Woodman. The latter was born at Buxton, Maine, June 21, 1844, and educated at Bowdoin College and Harvard law school. He became a member of the Boston bar, but practiced little, departing soon after his admittance for the West. Woodman was not without influential friends upon whom he later called for financial assistance. He

<sup>4</sup> Hunt, Israel, Elihu and Cadwallader Washburn, 302.

<sup>5</sup> George F. Emory, "Cyrus Woodman," in Collections and Proceedings of the Maine Historical Society, 1: 113-124 (Portland, 1890); Ellis B. Usher, "Cyrus Woodman: A Character Sketch," in Wisconsin Magazine of History, 2(1918-1919): 393-413.

numbered among them John Andrew, Civil War governor of Massachusetts, whose impecuniousness made the loan of credit impossible, but whose friendship lasted until death.<sup>6</sup>

Washburn was quite able to duplicate sources for credit, although both complained of the paucity of such. The business relations of the two men began August, 1844 and lasted until March 1, 1855 when they were amicably terminated upon Washburn's election to Congress. The size of Mineral Point and the numerous lawyers made pettifogging competitive; however, the care of the Boston and Western Land Company's acreage and collections furnished them the means to advertise themselves throughout the East as honest dealers.

Washburn's political career began soon after his residence at Mineral Point. As a Whig, in December, 1847, he sought election as a delegate to the state constitutional convention but ran a strong third. In 1854, he was elected to Congress on the Republican ticket and served until 1861. He was again selected in 1867 remaining until 1871. His congressional activities were mediocre. Brothers Elihu from Illinois and Israel from Maine were there to guide him, though on occasions he displayed a will of his own. He held

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<sup>6</sup>Henry Greenleaf Pearson, The Life of John A. Andrew, Governor of Massachusetts 1861-1865 (Boston, 1904)

a seat on the Committee on Military Affairs, Chairman of the Committee on Private Land Claims, Committee on Foreign Affairs, and Committee on Appropriations during his congressional service. His membership on the Peace Committee, called at times the Committee of Thirty-Three, and his minority report as one of three dissenters, displayed his independence and attitude on slavery. He followed in Elihu's footsteps and became a Radical Republican, showing antagonism to Andrew Johnson by introducing a resolution condemning the President for his removal of General Sheridan, and thanking General Grant for disapproving the replacement of Stanton. By and large, he was a party politician, and voted almost consistently with it. ✓

He served as governor of Wisconsin from 1872 to 1874, being defeated by a Granger-Democrat coalition led by William Taylor. Here again his political service was not outstanding. He proposed a board of railroad commissioners as a protection to the corporations and the people, but never put it through. In 1873, he vetoed a bill allowing the Milwaukee and St. Paul to build a bridge at La Crosse on the pretext that the Federal Government controlled the waterways, and the passage of the bill by the state government was, in effect, nullifying an act of Congress. The senate and not the assembly sustained the veto. Since he ran lumber rafts on the river, that maneuver might be considered a personal reason, for lumbermen frequently complained of river obstruction. It might be

reasoned, also, that the railroad board similiary supports the thesis of using the state for economic ends as he desired low rates for flour across Wisconsin. All of these are highly hypothetical, for although opponents disapproved his politics, they seldom doubted his honesty. He never obtained a seat in the Senate, although he tried twice and lost. He was mentioned for Secretary of Interior and State, but never realized either.

His services with the Federal forces were commendable. Commissioned a colonel on October 10, 1861, he raised a regiment of cavalry and went into quarters at Camp Washburn near Milwaukee. The fact that Elihu had the ear of the President and was responsible for the appointment of Grant made matters infinitely easier, for equipment and orders were sent to him in preference to other state groups. Within three months of his commission he requested active service. "I feel anxious to participate in a battle," he wrote E. B. Washburne on January 22, 1862. "This holiday soldiering I do not fancy. It is pleasant enough but not profitable to the country. I must demonstrate that my patriotism is not all put on."<sup>7</sup> He took part in the Vicksburg campaign with credit, showing intelligence and some military acumen at Helena, Yazoo Pass, Tallahatchee, subsequently at Grand

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<sup>7</sup>Hunt, Israel, Elihu and Cadwallader Washburn, 333.

Cateau, Louisiana, and Esperanza, Texas, but nowhere with reckless abandon. The combination of being mentioned in dispatches and the press, of having an influential brother and a grateful state, and of knowing Grant and Sherman netted him a commission as brigadier general on July 16, 1862, and major general of the volunteers November 29, 1862. He supported Grant, though showed some apprehension over the inceptive stages of the Vicksburg campaign. He felt the backbone of the Rebellion was broken in the spring of 1862, but continued resistance showed him how false his judgment.

Washburn's most distinguished war service came as commander of military departments. In April, 1864, he was put in charge of the District of West Tennessee with headquarters at Memphis. December, 1864 found him in command of Vicksburg, but the following March he returned to the former city. Soon after his arrival, the citizens of the city banqueted him at the Gayoso Hotel. Despite martial law, in effect for nearly a year, Washburn proved popular among Confederate and Union sympathizers alike. His fairness won him acclaim in the North and South. He allowed no contraband trade to be carried on with the Confederates, and did not traffic in cotton sales nor destroy private property. He kept a close rein on his men and used the Negro troops sparingly. "My policy," he wrote Woodman in April, 1865, "is working like a charm, and I am very hopeful now that civil government may soon be fairly inaugurated in

Tenn. You may think it strange that I who have been the severest commander they have ever had here should be universally popular. This I say to you, when I would not say it to anyone else, because you know that I do not say it for the purpose of self-glorification."<sup>8</sup>

Although attaining high positions in the political and military fields, Washburn won greater acclaim as an industrialist. The appellation, "Washburn's Gold Medal Flour," perpetuated by the Washburn Crosby Company, brings commanding attention to a listener, while another form of identification for him is lost upon unknowing ears. From impecuniousness to opulence was not easily achieved.

He did not always enjoy excellent health. He worked hard and endured many disappointments. In 1852, his wife, Jeanette Garr, became permanently and hopelessly insane which did not embitter him, but drove him to incessant activity. On the way to Congress in 1855, he suffered a severe illness. In 1862, he obtained a leave of absence from the army to recuperate from the fever and chills of the Mississippi swamps. Later, he was stricken by paralytic attacks that recurred as he grew older, but his determination to accomplish much continually overtaxed his brain. From February 1881, on, he was for all practical purposes lost to his business. Travels to resorts and visits to physicians netted him nothing and on May 14, 1882 he died at Eureka Springs, Arkansas.

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<sup>8</sup>Washburn to Woodman, April 2, 1865, Woodman Papers.

## CHAPTER II

## EARLY LAND SPECULATIONS

Notwithstanding the fact that Mineral Point had other lawyers, the infant concern of Washburn and Woodman prospered. The earnings of the firm were small in the beginning, but as the reputation of the men increased the number and amount of clients grew astonishingly large. After each successive wave of speculative activity frontier lawyers prospered, for the numerous cases at law provided sizeable fees. The attorneys at Mineral Point were no exception to the general rule, in view of the fact that the wave of 1836 subsided rapidly, leaving a considerable amount of work with good paying possibilities. The Bank of Mineral Point had failed in the interim, contributing to the litigation for which the partners made no small attempt to secure all cases.<sup>1</sup> The passing of the speculative mania of the 1830's had left thousands of acres of western lands in the hands of eastern speculators who were dependent upon local concerns for the care of their investments.<sup>2</sup> The satisfactory eastern refer-

<sup>1</sup>Gaillard Hunt, Israel, Elihu and Cadwallader Washburn, a Chapter in American Biography (New York, 1925), 315; C. W. Butterfield, History of Iowa County, Wisconsin (Chicago, 1881), 671-673.

<sup>2</sup>Joseph Schafer, "A Yankee Land Speculator in Wisconsin," in Wisconsin Magazine of History, 8 (1924-1925): 377-393.

ences furnished by the two men was to no small degree responsible for the number of clients they received. The commission involved neither hard nor confining work; indeed, it proved highly informative, for the firm became acquainted with the best lands in that section of the West.

Perhaps the greatest care was the payment of taxes which in itself was not conducted without some profit. The charge for the payment of taxes was nominal, being only fifty cents an acre;<sup>3</sup> but payment was generally made with county orders issued by county authorities for payment of governmental services and acceptable for taxes at face value. County orders were purchased at prices varying from fifty cents to par.<sup>4</sup> Surplus orders, not needed by paying agents, were sold to local tax payers at prices approaching par.

In the pursuit of this business, Washburn and Woodman were not beyond soliciting aid from local merchants or county officers. "I send you," wrote Washburn to his partner who was in Illinois at the time, "a hand bill of F. Foster in which he offers 90 cents in goods for orders. This offer is in fact mine, & it is through me that Foster has become the purchaser."<sup>5</sup> "How do you think it will do," he wrote again,

<sup>3</sup>Washburn and Woodman to Col. D.G. Jones, January 21, 1845, Woodman Papers.

<sup>4</sup>Washburn to Woodman, November 31, 1844; Washburn and Woodman to Math. Corwith and Company, November 17, 1847, Woodman Papers.

<sup>5</sup>Washburn to Woodman, July 25, 1844, Woodman Papers. Foster was a local merchant. Later, Charles Stephenson, brother-in-law of Washburn, became associated with him, and the firm was known as Foster and Stephenson.

"to employ Whitmore by and by after he goes out of office ,  
to copy the Grant [County] records provided he can be em-  
ployed very cheap, & without exposing our arrangements dis-  
advantageously?"<sup>6</sup> Nothing paid such handsome dividends as  
the election of Charles Stephenson to the office of tax  
collector, who, in his official capacity, "vigorously pushed  
residents" to pay taxes, thus creating a market for county  
papers.<sup>7</sup> The engrossment of county orders, however, was not  
without drawbacks. Zealous promoters of internal improve-  
ments issued them profusely, and frequently voted to  
repudiate them or to accept them for taxes at a percentage  
of their value. Washburn and Woodman were well provided for  
such a contingency by sale in the Galena market, through E. B.  
Washburne,<sup>8</sup> of surplus orders before repudiation took place.  
The whole formed a large share of the partnership's income.

Of secondary importance relative to income was the  
collection of bills, notes, and sight drafts on individuals  
in the lead district. Merchants conducted their business with  
the use of sight drafts and such negotiable instruments, de-  
laying payment for goods until the spring or fall at which  
time lead sales took place. Eastern wholesalers sent the

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<sup>6</sup>Washburn to Woodman, November 3, 1844, Woodman Papers.

<sup>7</sup>Ibid., December 9, 1844, Woodman Papers.

<sup>8</sup>E. P. Washburne to Washburn, December 14, 1844, Woodman  
Papers.

credit instruments westward for collection in these seasons, allowing liberal commission for collection and subsequent remittance in eastern exchange. Again eastern references aided the partners, and with Boston merchants selling heavily in the West, Sidney Washburne recommended Washburn and Woodman to merchant friends.<sup>9</sup> There was no set limit to the firm's theater of operation, and the collection rates regressed from ten percent with the increase of the bill.<sup>10</sup> From such humble beginnings the two men looked hopefully to the future. A year after the formation of the partnership, they were able to "meet current expenses," and had prospects of making "good headway" in "the course of another year."<sup>11</sup>

Mineral Point was the crossroad for two streams of settlers: the miner and the farmer. In earlier days, some years previous to the coming of Washburn and Woodman, when mining was in the ascendancy, the village had earned the reputation of being the roughest and most licentious place in the West, save for Natchez-under-the-Hill. The center of such coarseness had been Nichol's tavern, but as the years<sup>12</sup> approached the half century mark this vileness decreased.

<sup>9</sup>Washburn to Woodman, December 9, 1844; Woodman to John Albion Andrew, July 15, 1845, Woodman Papers.

<sup>10</sup>Washburn and Woodman to Col. D. G. Jones, January 21, 1845, Woodman Papers. The rates were: under \$250, 10%; between \$250 and \$500, 7%; over \$500, 5%. The concern always charged for the exchange, usually  $1\frac{1}{2}\%$  to  $1\frac{3}{4}\%$ .

<sup>11</sup>Woodman to George Woodman, June 20, 1845; July 14, 1845; December 28, 1845, Woodman Papers.

<sup>12</sup>Strange M. Palmer, "Western Wisconsin in 1836," in Wisconsin Historical Collections, 6: 297-307. (Madison, 1872).

"This country," wrote Woodman, "was a wilderness twenty years ago, and it is only about fourteen years since the Black Hawk War. For many years after, this town was inhabited by a set of men little better, perhaps than the savages, but most of them have left the country or been killed by whiskey

. . . ."<sup>13</sup> In 1842, the town had scarcely seven hundred inhabitants, huddled mostly along the meandering Galena road. Four years later the population had increased to about two thousand, half of whom were under twenty-one.<sup>14</sup> The larger share of the increase in population was made up of miners, drawn to the district by the fabulous mineral wealth and high wages.<sup>15</sup> Of secondary importance, especially before the middle of the fourth decade, were the farmers. These men practiced mining only in off seasons, but were primarily interested in farming. As the land closest to the mines was taken up and the settlers were forced out to the periphery of the lead district, they became less interested in lead and devoted their entire time to agriculture. This was a welcomed event; for the increase in the agricultural settlers, after 1847 when the government sold the mineral

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<sup>13</sup>Woodman to Mrs. J. P. Weston, February 22, 1846, Woodman Papers.

<sup>14</sup>Hunt, Israel, Elihu and Cadwallader Washburn, 315.

<sup>15</sup>Jonathan H. Evans, "Same Reminiscences of Early Grant County," in Wisconsin State Historical Society, Proceedings, (1909): 232-245.

lands, augmented proportionally the number of land office entries, thus creating business for local land agents.

With the number and amount of transactions involving money enlarging, the two men soon set themselves up as private bankers. They were brokers for eastern speculative funds, collection agents, and sellers of domestic and foreign exchange. (In this latter capacity, they became intermediaries for the Cornish miners of the lead district in transferring sums to England.) The Cornish migration was purely an economic one, since the Cornwall mines had ceased to be good investments and wages were no longer high. Hundreds left for new fields, drifting to places in the most distant parts of the world where mining was undeveloped. They came to the district via New Orleans, following the Mississippi River to the lead fields north of Galena. Once settled, few ever returned to Cornwall, continuing on to the gold fields of California and Australia.<sup>16</sup> They were not above remitting sums to relatives abroad, and, because of the integrity and eastern connection of the firm, Washburn and Woodman translated their wishes into English sovereigns and pounds. These

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<sup>16</sup>L.A. Copeland, "Cornish in Southwest Wisconsin," in Wisconsin Historical Collections, 14: 301-334 (Madison, 1898). For an account of the conditions surrounding the Cornish miner in his native land, mostly the record of the technical advancement and early history of the mining industry in Cornwall, see A. K. Hamilton Jenkin, The Cornish Mines (London, 1927). Mr. Jenkin gives no space to the exodus of Cornish miners in the early 1800's, but does devote space to the migrations of the latter part of the century. The conditions in some respect are similar. There were frequent movements from Cornwall, and the Cornish miner from the Mineral Point district found his cousin in California and Australia in the 1850's.

operations proved profitable and beneficial, for the respect that the firm earned was a contributing factor to the establishment and successful operation of the Wisconsin Bank by Washburn and Woodman in 1853. The Cornish came to regard the currency issued by the bank as sound as the gold sovereigns which they demanded for services and lead, thus assuring a rather stable circulation in a section quite committed to gold.

The two men were most successful as land agents; indeed, land was the foundation of the personal fortune of each. (The sale of lands belonging to eastern speculators was soon superseded by the business of lending money to settlers and the entering of unimproved government lands.) In the capacity of loan agents the partners were considered honest, despite the fact they demanded a higher rate of interest and more security than most concerns. The number and kinds of land agents and speculators in any western community were almost legion, varying from swindlers to simple agents. All were found in the lead district during territorial and early statehood days. They used every sort of device for ensnaring the non-initiated, not the least of which was the disposal of cheap lands while covered with snow, or the switching of descriptions on deeds. The safest and most legal plan was the pecuniary aid to pre-emptors. This plan was both simple and profitable. It called for the loan of a sum of money to a squatter on land upon which he

had expended time and money in improvement, and which had been thrown open to sale by the land office. The loan agent entered the land in his own name, giving the pre-emptor his bond for a deed which was obtainable upon the payment of the principal with interest. In case of non-payment, the land together with all improvements fell to the lender, while the pre-emptor pushed on to new fields, hoping eventually to arrive at financial security.<sup>17</sup> A loan amounted to two hundred dollars on each quarter section, while interest charges at times ran to twenty-five percent. An extra profit was gained when land warrants became acceptable at the land office for the settlement of the rights of pre-emption.<sup>18</sup> In the sphere of pre-emption loans, the partners made great financial profits, investing all surplus funds in the pursuit.

Long a subject of congressional action, pre-emption became a certainty in the Distribution-Pre-emption Act of 1841. The West had wanted the homestead principle, but it was not considered practical politics to persuade the tide-water element in Congress to accept it completely. The compromise bill had the only chance of success after the defeat of Benton's "log-cabin" bill of February 1841. Both politi-

<sup>17</sup>George and Robert M. Crawford, editors, Memoirs of Iowa County, Wisconsin (2 vols., Chicago, 1913), 1: 69-70; John T. Kingston, "Early Western Days," in Wisconsin Historical Collections, 7: 297-344 (Madison, 1908).

<sup>18</sup>Woodman to Hugh Green, December 28, 1859, Woodman Papers.

cal parties had sought to gain the West by some means, so the campaign of 1840 came to be an important one in our history as it marked the beginning of alliances of the West and South.<sup>19</sup> The pre-emption bill allowed settlers to squat more nearly where they pleased, and allowed them to perfect title when lands were opened for sale. Presumably passed as a means of encouraging those who suffered from the depression of 1837 to seek a new life in the West,<sup>20</sup> the act in addition provided relief to those settlers subject to encroachment by large eastern speculators. The settlers now had little need for the claim associations which dotted the townships of the upper Mississippi, and turned them to some other use. The act, too, sounded the death-knell for immediate profits by large landowners, for no emigrant thought of giving a speculator from two to four dollars an acre for unimproved lands when by traveling a few miles he could obtain acreage at government prices.<sup>21</sup>

Previous pre-emption acts covered a multitude of exceptions and variations which, with land office decisions, constituted the totality of governmental land regulations. A very important and interesting variation was that of the

<sup>19</sup>Frederic L. Paxson, History of the American Frontier (Boston, 1924), 390-391; G.M. Stephenson, The Political History of Public Lands From 1840 to 1862 (Boston, 1917), 42, 65; W. B. Hesseltine, A History of the South (New York, 1936), 290.

<sup>20</sup>John D. Hicks, The Federal Union (Boston, 1937), 453.

<sup>21</sup>John G. Gregory, The History of Southwestern Wisconsin: Old Crawford County (4 vols., Chicago, 1932), 1: 86.

float. The land laws provided that only one settler could squat on a quarter section, but frequently two or more parties, squatting in advance of surveys, settled on the same quarter. Under the law only one person could enter the quarter section, but to the others a privilege called a float was granted. The float entitled a person to select a quarter anywhere in the same land district, liable to entry, without the formality of settling and proving the claim. By this means they could be, and frequently were, used for the location of mill or town sites; and because of this privilege were sought after by speculators. A regular traffic in them grew up.<sup>22</sup>

In 1847, the Wisconsin territorial legislature furnished additional protection to squatters of the Mineral Point district when it petitioned President Polk to withhold certain lands from the May twenty-fourth sale until the titles to the lands could be investigated. The President acceded to their request and appointed Samuel Leech to conduct the investigation of the bad titles of 1834 to 1846,<sup>23</sup> and the mineral lands belonging to the federal government.

The pre-emption act put Washburn and Woodman in a

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<sup>22</sup>Theodore Rodolf, "Pioneering in the Wisconsin Lead Region," in Wisconsin Historical Collections, 15: 338-389 (Madison, 1900).

<sup>23</sup>Wisconsin Argus (Madison), April 20, 1847; June 1, 1847.

position to profit from land deals with settlers. The act increased the flow of settlers to the western part of Wisconsin, and, until other districts were cut out of it, to the land office at Mineral Point where all entries for lands were made. As the government proclaimed more lands for sale, squatters flocked to the seat of the land office to hunt agents to enter the lands. Agents had little need to investigate the requests for loans since neither title nor money passed to the hands of the settler. No squatter was likely to enter worthless lands with thousands of acres of fertile lands idle. The entry was consequently a sure investment. With the firm's reputation constantly expanding squatters sought out the two men, gave a description, and returned home with the bond for a deed, planning for payment a year hence. The pre-emption, too, discouraged large eastern speculators, for the protection given squatters and the prevalence of free land reduced the amount of private sales. The alternative seemed the disposal of lands, and frequently western agents purchased them at bid prices. Washburn and Woodman made excellent buys from discouraged holders, and, being at a focal point, stopped settlers en route to the land office, selling them private lands by pointing out the advantages of location, churches, and schools as inducement for sale.

The 1840's and early 1850's were not deficient in other legislation which upset the plan of a few congressmen

for a stabilized national land policy. The most important was the revocation of the military reservation system and the granting of new military warrants, covering all phases of service with the colors. <sup>24</sup> Public lands had come to have another positive use other than revenue: that of being offered as an inducement to enlistment. Military bounties were no innovation in the decade of 1840, for they had been granted to soldiers who had served in the British and Indian wars. The grant of land varied, but the location of the warrant was restricted to a military reservation. The purpose of the reservation system was to induce settlement and cultivation in certain frontier districts, but the remoteness from the great centers of population defeated the very object, leaving the lands to fall in speculators' hands, or become liable to forfeiture for nonpayment of state taxes, and subsequently coming to local landowners through that source.

In 1842, Congress abandoned the reservation system and substituted the arrangement of allowing a soldier or his assignee to locate the warrant on any lands of the United States subject to entry. <sup>25</sup> This design allowed speculators to purchase warrants and locate them on choice lands,

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<sup>24</sup>Stephenson, Political History of Public Lands, 118-119.

<sup>25</sup>Thomas Corvin Donaldson, The Public Domain (Washington, 1884), 234; Benjamin Horace Hibbard, A History of the Public Land Policies (New York, 1924), 118; Payson Jackson Treat, The National Land System 1785-1820 (New York, 1910), 243-248.

selected by agents in the paths of migrating settlers, with view of engrossment. Similarly, the law recognized the right to utilize the warrants for pre-emption entries, thereby building up an active business in pre-emption loans. Devoted to the homestead principle, the law of 1842 was not well received by westerners. They made every effort to change it. Upon the declaration of war with Mexico, Congress sought to increase army enlistments by offering bounties, varying from forty to one hundred sixty acres according to service, to all men without a regular commission. To avoid a duplication of the mistake of 1842, Congress made the warrants non-assignable, but allowed location on any public lands not subject to pre-emption rights. (It introduced the principle of commutation, for soldiers might exchange the warrant for six percent scrip, receiving from twenty-five to one hundred dollars. The scrip was acceptable at the land office at par value in payment for land. Notwithstanding the non-assignability of the warrants, speculators by some method or other used them to get land out of government possession at a rate vastly beyond that of settlement.

A generous Congress in 1850 enlarged the number eligible for lands by granting bounty warrants to all ex-

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<sup>26</sup>Treat, National Land System, 255; Stephenson, Political History of Public Lands, 121; Hibbard, Public Land Policies, 119-120, 124-125; Thomas Donaldson, The Public Domain (Washington, 1884), 235.

service men missed in previous acts. Service of one month now brought certificates for forty acres, but Congress prudently, for western interests, did not make them assign-<sup>27</sup>able or useable for pre-emption rights. In 1852, however, the warrants were made assignable, and a wholesale traffic in them began. Land speculators bought and located them on the best of western lands, cutting off opportunities for pre-emption. Banking journals, newspapers, and financial services carried quotations and, in many cases, dealt extensively in bounty warrants. It made little difference where the warrants were, for holders were ferreted out and offered paper money for the certificate. Eastern and western, large and small speculators made mad dashes for the land offices to locate all warrants. But the activity was not without effect on the West. The western press issued scathing attacks on congressmen voting for the bill. Upper Mississippi newspapers were black with stinging epithets for speculators, while the more Chauvinistic sheets called upon state legislatures to wrest the land from large landowners by a system of high taxes for non-residents, or for limiting the number of acres a man could own.

Congress continued to lavish favors upon the veterans. On March 3, 1853, the two houses passed an act reducing the

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<sup>27</sup> Treat, National Land System, 256-257; The Statutes At Large and Treaties of the United States of America (Boston, 1851), 9: 520-521.

service under the government to fourteen days or participation  
<sup>28</sup>  
 in a battle. This covered all types of military service  
 and threw another group of warrants on the market. The decade  
 of the 1840's and early 1850's, by virtue of the bounty acts,  
 was a fruitful one for Washburn and Woodman, as well as the  
 large eastern concerns. All phases of governmental legis-  
 lation, restrictive at the outset, was of great benefit to  
 them, for with the bounty warrants they conducted a pre-  
 emptio loan business and entered thousands of acres of  
 valuable timber lands. In general, however, the whole  
 system damaged the West, slowing down settlement. In  
 addition, it was of little value to the soldier, and con-  
 tributed immensely to the speculative mania of the 1850's,  
 providing also another opportunity for the capitalist to  
<sup>29</sup>  
 benefit from the national government.

The high taxes levied against the lands of the  
 eastern speculator came in the disguise of increased valu-  
 ations since a rate differential involved the legal issue.  
 Local landholders escaped similar assessments, for the West  
 bore no great amount of ill will against them. The action  
 by taxing authorities, crystallizing western sentiment, prov-  
 ed a boon to local land agents by providing them with a

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<sup>28</sup>Treat, National Land System, 257.

<sup>29</sup>Stephenson, Political History of Public Lands, 101-102,  
 110, 119, 120; Hibbard, Public Land Policies, 125.

chance to offer their services toward a reduction in the valuations, and by placing them in a position to bargain with the disheartened speculator for his lands. Washburn and Woodman were not long in making the most of the opportunity, and contacted landowners not already their clients. Their fees were not unreasonable. If the partners effected a reduction in the valuation and consequently the taxes, a fee of one half such a decrease was claimed for services. In the event of failure, and this was more frequently the case, the firm charged the sum of ten dollars, but in addition made an offer to buy the lands. It was to the best interest of the two men to fail in their undertaking, since eastern landholders were prone to sell with the prospects of a continuation in high taxes, but there is no evidence that the partners acted in collusion with the taxing authorities. However, upon the heels of every failure to secure a reduction in the assessed valuation of the property, the concern did make offers for purchase, which were not infrequently accepted.<sup>30</sup>

Under such and other arrangements the partners began an amassment of private lands. One of the first acquisitions was that of eight hundred acres near Dodgeville from William Hempstead, of Galena.<sup>31</sup> The largest and most important was

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<sup>30</sup>Washburn and Woodman to Nathaniel Russel, June 2, 1845, Woodman Papers.

<sup>31</sup>Washburn to Woodman, April 8, 1845, Woodman Papers.

the purchase of 3352 48/100 acres and two-fifteenths owner-<sup>32</sup>ship in the village of Winslow, Illinois for \$7325.50. They also secured large tracts from the conservators of the Bank of the United States, who controlled the investments and undertook the collection of loans, many of which were secured by western lands, when that institution failed to get a new charter.<sup>33</sup> Another venture was the acquirement of Mineral Point lots<sup>34</sup> when the territorial legislature allowed the incorporation of the village in 1844.<sup>35</sup> In some cases the men paid cash, but most frequently they tendered their promissory notes payable at eastern banking offices in three to five years.

The acquiring of so much land and offering notes in payment became a constant worry to Woodman, who feared bankruptcy. "He has been buying land for us," he wrote his brother, George, of Washburn, "and though I am sure that we can lose nothing by his trades & probably shall in the long run make something by them, yet I should prefer to make less and be in a position not to be pressed for money."<sup>36</sup> Washburn's acquisition of lands made the partners the largest local landowners in the district. By close study of the steamboat arrivals at the lake coast cities and the

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<sup>32</sup>Woodman to Daniel J. P. Thompson, August 23, 1846, Woodman Papers.

<sup>33</sup>Washburn and Woodman to Chas. S. Folwell, March 6, 1849, Woodman Papers.

<sup>34</sup>Washburn to Woodman, November 3, 1844, Woodman Papers.

<sup>35</sup>Butterfield, History of Iowa County, 680.

<sup>36</sup>Woodman to George Woodman, September 18, 1846, Woodman Papers.

entries at the Milwaukee land office, the firm realized that as soon as the territory in the Milwaukee district filled up and the tide of immigration reached the lands on the edge of the lead district, they stood in a position to reap enormous profits.<sup>37</sup> Future events soon showed that they were not wrong in their supposition, for the admission of Wisconsin to the Union brought a tide of settlers to the southern part of the state.

Washburn and Woodman followed the path of investment and profit regardless of where it led. They made no attempt to localize their pursuits to Mineral Point, although it continued to furnish the volume of the business, but generally chose as their field of operation those regions contiguous to the Mineral Point district and connected with it by some means of transportation. The year 1849 found the firm operating in the vicinity of the Fox River where the United States had granted the state alternate sections of land along the route of a proposed canal from the mouth of the Fox to the Wisconsin River. When the lands were opened for sale the government followed the usual practice of protecting the rights of pre-emption by allowing them to enter their lands at the government price.<sup>38</sup> The lack of capital by the squatters soon allowed the firm to negotiate a series of pre-

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<sup>37</sup>Washburn and Woodman to Matthew Newkirk, February 24, 1846, Woodman Papers.

<sup>38</sup>Donaldson, The Public Domain, 260.

emption loans at a rate comparable to that earned in the home district. So good were the prospects for a continued success that they made fervent appeals for eastern funds, remarking in an offhand manner of the opportunities to make <sup>39</sup> fifty to eighty percent on the money.

No change of plan accompanied the sale of the Menomonee Indian lands in 1852. A generous government continued to protect the squatters, and Washburn and Woodman made a succession of pre-emption loans, but at a smaller percentage of profit, the difference being in cost of land warrants. Yet, despite the price of warrants, the concern undertook to invest between twenty and thirty thousand dollars there on squatter property. Washburn even established himself at Menasha for that purpose. <sup>40</sup> When the government created the La Crosse and Chippewa districts the firm allowed local men to make contacts for them. Although the outlook for a profitable business appeared good, they soon neglected this field in favor of entering pine lands on the Black and <sup>41</sup> Chippewa rivers.

In northern Illinois, the partners rejected the pre-

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<sup>39</sup>Washburn to A. S. Washburne, July 18, 1849, Woodman Papers.

<sup>40</sup>Woodman to Daniel Thompson, October 7, 1852; Washburn to J. B. Merrick, August 14, 1852, Woodman Papers; The Statutes At Large and Treaties of the United States of America (Boston, 1855), 10: 7-8.

<sup>41</sup>Washburn and Woodman to Stevens and Cramer, October 25, 1851; Washburn and Woodman to Milton Barlow, October 28, 1851, Woodman Papers.

emption field for the more lucrative one of locating lands in the path of a railroad connecting Chicago to Galena. A group of capitalists, determined to connect the two waterways by a rail system, sought the capital for the project in both cities; but they were not above seeking aid from the hinterland of both places. They proposed completing the road by 1850. Washburn and Woodman realized what the railroad would do to the price of lands, and began entering the neighboring lands. The firm hoped to enlist the aid of speculators interested in entering a block of one hundred sections or less, but was unsuccessful. The alternative plan was the personal selection and entering for others at the charge of one out of five sections located, but they accomplished little. They were less fortunate in this undertaking than all the others.

Meanwhile, the government had issued bounty warrants to the Mexican veterans, and later favored those not benefited by previous grants. The law allowed them to be used for entering land, and in the case of the Mexican warrants to be exchanged for treasury scrip. But they were in no case acceptable for pre-emption rights. The failure of Congress to make each issue assignable somewhat checked the traffic in them, but in 1852 a new law changed that. They

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<sup>42</sup> Washburn and Woodman to John S. Haywood, November 3, 1847, Woodman Papers.

were still restricted to wild lands, however, thus eliminating the very profitable use for pre-emption loans, which formed the basis of Washburn and Woodman's business. Yet, notwithstanding the restrictive nature of the early warrants, the partners, in 1847, laid plans for the engrossment of them, firmly believing one day a generous government would make them assignable and useful for pre-emption entries. Should the government fail assignability, the Mexican warrants could be converted into scrip, and then held as an investment or turned over to the land office in payment for land.

The two men chose the states adjacent to Wisconsin as the first fields of operation and conducted a heavy correspondence with friends and business acquaintances for the purpose of ascertaining the probabilities for business. Subsequently, they selected local representatives and informed them of their duties. After such preparations Woodman undertook a series of journeys into these states and bought warrants at market price.<sup>43</sup> Next, the firm purchased the warrants on eastern markets, selecting for that purpose old and reputable brokerage houses. When Washburn and Woodman ran out of funds, they formed partnerships with small eastern capitalists, dividing equally the profits with them. For continued speculation on their own

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<sup>43</sup> Woodman to Edward Keating, August 10, 1847, Woodman Papers.

account, however, they put warrants up for collateral security with eastern bankers.<sup>44</sup> When they met with failure, as was sometimes the case, they just curbed their activities.

Probably the numerous enterprises in which the firm was interested demanded too much money, for it was almost always without funds or credit for speculation. Such a condition finally led to the establishment of a bank to alleviate the situation brought on by the paucity of credit. At least, the bank furnished the wherewithal for the great timber speculations undertaken after 1852. Be that as it may, the rapidity with which the two accumulated warrants in the face of the lack of money for continued engrossment forced them to sell a quantity to a Milwaukee company.<sup>45</sup>

During the years of 1848 and 1849, in the midst of their speculation in them, the market price of warrants fluctuated badly. In the early part of 1848 the price was \$108, moving upward to \$137 per quarter section in the summer of 1849.<sup>46</sup> By the fall of the same year, however, the price dropped to \$125, but the opening months of 1850 found them again at \$137.<sup>47</sup> But the price did not long

<sup>44</sup> Washburn and Woodman to A. C. Lombard, August 11, 1847, Woodman Papers.

<sup>45</sup> Washburn and Woodman to Miller and Cushman, September 17, 1847, Woodman Papers.

<sup>46</sup> Washburn and Woodman to J. S. Haywood, December 13, 1848; Washburn and Woodman to K. K. Noyes, July 5, 1849, Woodman Papers.

<sup>47</sup> Washburn to Henry Hubbard Jr., October 29, 1849; Woodman to George Woodman, October 30, 1849, Woodman Papers.

remain at that figure, for in May Washburn and Woodman secured several at \$115.<sup>48</sup> The cause of the inconstant price was due to several factors. The number of warrants offered on the market varied almost monthly. In the closing months of 1847, 7,371 quarter sections and 1,120 twenty acre ones were issued.<sup>49</sup> In the months following the number increased to about twice that figure. The early prospects for a bill, realized in 1850, enlarging the number of men eligible for bounties, in itself sent the price tumbling to \$100.<sup>50</sup> The movement of people to the gold fields also influenced the price. Soldiers and speculators, in their anxiety to reach the gold fields before all the opportunities were taken, dumped bounty warrants on the market in an effort to get transportation money or funds with which to speculate. The demand for warrants acceptable at land offices for pre-emption stood still, and this depressed the price. The unsatisfactory market conditions generally effected them. No stability in the price of warrants came until after the passage of the law making them assignable.

In the purchase of so many warrants, the partners soon became aware of the market fluctuation which to them appeared only temporary. They were somewhat misled by the

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<sup>48</sup>Washburn to Woodman, May 2, 1850, Woodman Papers.

<sup>49</sup>Wisconsin Argus, January 11, 1848.

<sup>50</sup>Washburn to Woodman, July 9, 1850, Woodman Papers.

early quotations of 1848, and, observing the slow rise in the months following, gave no thought in the direction of a possible depression in price. Indeed, in July of 1849, they made appeals to their local solicitors for more warrants at a few dollars below the New York high.<sup>51</sup> When the price fell off a few weeks later, they decided to send Washburn eastward to undertake market operations, in conjunction with others if necessary, with the view of further depressing the price. When a pre-emption low was reached, Washburn was to use all of the firm's available resources, and what other funds he could command up to ten thousand dollars, in the purchase of them. Provisions for raising some money was made with New York and suburban Boston bankers. The recently constructed telegraph system into Mineral Point would provide swift communication between the two men, and the placement of Charles A. Washburn in a clerkship at Washington where he might learn the action of the government on warrants seemed to presage success in the market operations. Taking his bride of less than a year, Washburn set out in November, 1849 for New York to "make a few dimes" that winter.<sup>52</sup>

Washburn had analyzed the depression in the market

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<sup>51</sup> Washburn and Woodman to E. B. Carson, July 3, 1849, Woodman Papers.

<sup>52</sup> Washburn and Woodman to Henry Hubbard Jr., October 29, 1849; Woodman to George Woodman, November 14, 1849, Woodman Papers.

as a ruse among brokers to buy warrants at low rates preparatory to a rise in the spring months. In his mind there was little question but that the market would even go lower.<sup>53</sup> Profitable operation depended entirely upon allying himself with speculators conducting the campaign. Upon his arrival at New York, he renewed the application for a loan and contacted brokers whom he believed were behind the project. He acted in no apparent haste to join a syndicate, but in the first days of the next year reported to Woodman that he was cooperating with others to force the price downward. "If I can crowd them to \$125 or less," he wrote, "I shall<sup>54</sup> dive." Although the market soon touched that figure, Washburn did not invest heavily. Presumably, the exodus of miners from Mineral Point led Woodman to believe greater profits existed in the home market, thereby limiting a large investment in warrants. Shortly after the middle of January, Washburn left for Mineral Point, arriving at a time when the gold fever was at its highest. The venture in New York did not end the buying of warrants, despite the number Washburn must have brought back, for, when the issues became assignable in 1852, the firm again became big purchasers. However, they were used primarily for the pine

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<sup>53</sup> Washburn and Woodman to Henry Hubbard Jr., October 29, 1849, Woodman Papers.

<sup>54</sup> Washburn to Woodman, November 25, 1849; January 17, 1850, Woodman Papers.

timber lands along the branches of the Mississippi.

When soldiers wanted a location of their warrants Washburn and Woodman complied with the request, charging a sum varying from ten dollars for a quarter section to five for twenty acres. After the issue of 1850, they circularized the larger cities of the North, and offered agents engaged in procuring warrants one quarter the fee in attempts to increase business. Probably as an indication of their honesty and reliability, the firm agreed to buy<sup>55</sup> and pay the fair value of all lands located by them. When approached for a price on the new non-assignable warrants the highest quotation was on the average of forty cents an<sup>56</sup> acre. After 1852, the firm attempted to control the sale of warrants for entry in the Mineral Point and La Crosse districts by buying the certificates available at Galena where Corwith and Company dominated the up-river market. They even enlisted E. B. Washburne and C. L. Stephenson but to little avail since the supply Corwith received seemed<sup>57</sup> limitless.

The discovery of gold in California was one of the events that changed the character of the lead district during the residence of Washburn and Woodman. Another was the

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<sup>55</sup> Washburn and Woodman Circular Letter, dated March 25, 1851, Woodman Scrap Book.

<sup>56</sup> Washburn and Woodman to Richard F. Flint, May 9, 1851, Woodman Papers.

<sup>57</sup> Woodman to E. B. Washburne, April 23, 1852; May 1, 1852, Woodman Papers.

sale of the mineral lands in 1847 by the United States. The importance of the two occurrences was due to the fact that they marked the beginning of a transition from mining to agriculture. By 1847, mining in the district began to decline primarily because of the exhaustion of the easily worked portions of the veins near the surface, and the in-<sup>58</sup>accessibility of others without costly machinery. The Cornish miners, who made up the bulk of the mining population, thereupon became ready recruits for a movement to the gold fields of California. There was, too, growing up among landholders a reaction against allowing lands to be prospect-  
ed, since the pot-marked fields reduced the possibilities for sale as agricultural lands.

The Cornish miners were a restless lot, and the discovery of gold served to stimulate migration. It is very likely that they knew of the early find of gold near Los Angeles in 1842, and had marked that field for future operation, but it took the discovery of 1848 to cause a large migration. The fever of excitement lasted until 1854, at which time there was a decided reaction throughout the United States, not excluding the lead region, in regard to mining matters. The interim in California was marked by two happenings: the arrival of the forty-niners, and the banner year of gold production in 1852. The estimated

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<sup>58</sup>Walter Renton Ingalls, Lead and Zinc in the United States (New York, 1908), 137.

arrival of eighty thousand miners created a social problem not to the liking of some of the more law-abiding citizens, which was not entirely a duplication of the influx into the lead region. It cannot be said generally that the Cornish contributed to the lawlessness and rowdyism of the frontier, for they lacked the carelessness and gambling instinct of the American miner. The hope of finding a bonanza and of returning to England found greater attraction for them. The big year of 1852 gave an added impetus to migrations from all the world, and served no less to whet the appetite of the lead miners for gold.

The wildest kind of excitement attended the announcement in the lead region of the finding of gold. Miners left the diggings and mingled in the village streets, debating the authenticity of the announcement and the feasibility of going to the West Coast. Some hastily threw equipment together and set out with scant knowledge of the mode and direction of travel, while others laid careful plans. On one day in 1849, sixty teams left Mineral Point in a single caravan. It was estimated that seven hundred of the village's two thousand inhabitants left Mineral Point during the years of 1849 to 1852. The village of Dodgeville, about ten miles to the north, was similiary depleted. The spring of

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<sup>59</sup>Gregory, Southwestern Wisconsin, 1; 520.

<sup>60</sup>Woodman to Mrs. Sarah E. Parris, March 5, 1852, Woodman Papers.

1850 saw an increase in, and early departure of, migrants. By the middle of April a hundred men had left by the inhospitable overland route, with almost a similar number laying plans for leaving at a later date.<sup>61</sup> The apogee of the movement came in 1853 before too many of the early migrants had returned and too much information of the hardships had come to Mineral Point.

The epidemic of gold fever visited Washburn and Woodman, and caused them to give some thought to establishment of a branch office in California. They were prompted in their decision by the fact that so many citizens of the lead region had left for California, and the great possibilities of profit either in the purchase of the metal or in the conversion of it into exchange. By 1850, the concern had set itself up as private bankers, receiving and loaning money, remitting sums abroad, and generally conducting a private banking business. In this undertaking, they had the general approval of the people in the district. By a location in the gold fields and by maintaining an establishment at Mineral Point, they hoped to continue the business, allowing former lead district residents to deposit money in California and receive payment at the local office. Through eastern brokers, and with the recommendation that the lead

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<sup>61</sup>Woodman to Horatio Woodman, March 2, 1850, Woodman Papers.

district men could give them, they hoped to accomplish similar exchange for others.

There were other existent profitable possibilities in California no less important. The country, newly won from Mexico, had thousands of acres of land which would soon be opened for settlement under the pressure of increases in population. The knowledge that Sutter had harvested a wheat crop which sold at thirty-six a bushel, with other products in proportion, undoubtedly led the two men to adopt a saner view than most men of the lucrative enterprises in the gold fields. The miners would always need food, and with farm commodities bringing high prices, the possibilities of entering lands and inducing agricultural settlement, similar to the pattern set in the lead district, was not beyond the comprehension of Washburn and Woodman. The very excitement of settlement and the magical word of gold would be sufficient reasons for raising the rates attending pre-emption entries, making for quicker and larger profits. "Money," wrote Woodman to his brother, "is only worth fifty percent here [Mineral Point], and that is 'small potatoes' for this age of progress." Furthermore, the timber of the region, not too far removed from the few centers of population, offered investment opportunities to one content to hew out

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<sup>62</sup> Woodman to Horatio Woodman, March 2, 1850, Woodman Papers.

a fortune from trees. San Francisco and Sacramento grew practically over night, and demanding building materials, made lumber another high price commodity. From the inducements for profit in California, it is little wonder that Woodman wrote his brother that the house of Washburn and Woodman contemplated removing "the seat of its power to that country."

By the middle of March 1850, the partners had decided upon a course of action. The papers in and around the lead district carried business cards, prominently displayed, announcing Woodman's intention of opening a branch office in Sacramento prepared to furnish remittances to the East and Middle West, "and to transact all business which may be plac-<sup>63</sup>ed in his hands." The reputation and responsibility of the firm was related in the same sheets as being above re-<sup>64</sup>proach and one meriting a large business from all emigrants. However, the whole venture was an experiment; for if the prospects for business proved poor after a year, the whole project was to be given up. Should they prove otherwise<sup>65</sup> some permanent arrangement would be made.

With these arrangements, Woodman selected the New York-Panama route, leaving Mineral Point on May twentieth. The stay in Sacramento was neither long, pleasant, nor fruit-

<sup>63</sup>From a clipping dated March 15, 1850, Woodman's Scrap Book.

<sup>64</sup>Wisconsin Argus, March 19, 1850.

<sup>65</sup>Woodman to Jacob Sybrand, April 29, 1850, Woodman Papers.

ful. Gold was not found by everyone, and the need for a remittance banker, when the express companies extended lines to the region and few of the former residents of the lead district struck it rich, was small. Also, speculations in land proved bad investments due to faulty titles. Woodman acted wisely in refusing that type of speculation. The United States had failed to confirm all existing land claims when the country passed into American possession, but had set up a land commission and court to sift the fraudulent from the valid. Such action made for much litigation, and the large speculator, ruthless, deceitful and willing to expend money for court fees, made profitable inroads upon lands held under Spanish and Mexican grants and the lands of the government.

The sudden inflation of property investments and prices paved the way for a crash among the merchants in San Francisco, and although opportunities existed there for profit, the procedure of clearing titles proved onerous, so  
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Woodman turned his back on it. The news of the death of his child, and the insanity of Washburn's wife forced his return, and, on November twenty-fifth, he arrived at Mineral Point, having met at Milwaukee his partner and wife on their

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way to New York. Somehow, the idea of a California branch died slowly, for in August of 1851, while in New York visiting his wife who was confined to a hospital, Washburn asserted his willingness to locate on the West Coast. However, it took the threat of a dissolution of the firm by Woodman to keep him from it.

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Meanwhile, the gold fever had an economic effect upon the lead district. Land values and sales by the first of 1852 had decreased fifty percent and had prospects of going lower.

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Men rushed to the nearest loan office to offer lands for loans at exorbitant rates of interest. "For instance," wrote Woodman to his brother, "a man came to us yesterday whose premises are worth \$1000 or \$1200. We bought them for \$300, giving a bond that if he would pay us \$600 in 18 mos, we would make recovery."

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Likewise, pre-emption loan business in the district suffered somewhat. In the earlier part of the rush from Mineral Point, the land warrant business was at a standstill,

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and the firm refused to locate for others on time, fearing the safety and profitableness of the venture.

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<sup>67</sup>Woodman to William A. Palmer, January 10, 1851, Woodman Papers.

<sup>68</sup>Woodman to Washburn, August 4, 1851, Woodman Papers.

<sup>69</sup>Woodman to Mrs. Sarah E. Parris, March 4, 1852; Woodman to W. M. Graves, March 12, 1852, Woodman Papers.

<sup>70</sup>Woodman to Horatio Woodman, March 2, 1850, Woodman Papers.

<sup>71</sup>Washburn to Woodman, May 27, 1850, Woodman Papers.

<sup>72</sup>Washburn and Woodman to J. H. Burch and Company, March 29, 1850, Woodman Papers.

Yet, there were many bright spots. Wages remained unchanged, miners receiving on the average of a dollar and a quarter and mechanics one dollar and a half to two dollars a day. A canvass of Mineral Point, in May 1851, revealed that the mercantile business was little injured by the exodus, due to the sums from California and the influx of new settlers. Ten dry goods stores showed average sales of thirteen thousand dollars a month and four grocery stores thirty-five hundred dollars for a similar period. The canvassers failed to note that the exodus might have stimulated sales.<sup>73</sup> Despite the egress of miners, and the pessimism following the McKay tariff, lead prices in both St. Louis and New York markets rose steadily. Woodman, shortly after his return to Mineral Point, felt happy to know of possibilities for the firm to make five thousand dollars were good.<sup>74</sup> The depression created by the exodus seemed more to be in land, agents forcing low valuations on clients in haste to get to the gold fields. It was not of long duration, for agricultural settlers soon drifted in replacing the number of Cornish emigrants.

In the spring of 1853, an unusual stir in the southwestern counties denoted the return of activity to land sales. The newer settlers, moving in after the first exodus of the gold seekers, devoted themselves more to farming, so

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<sup>73</sup>Butterfield, History of Iowa County, 683, 745.

<sup>74</sup>Woodman to Washburn, January 26, 1851, Woodman Papers.

that the agricultural resources of the counties south of the Wisconsin River began to receive serious attention.<sup>75</sup> Consequently, land sales increased. By the fall of 1854, the land office at Mineral Point was jammed with men waiting their turn to make entries. "Should this state of things continue a few weeks longer," wrote the editor of the Mineral Point Tribune, "we imagine Uncle Sam will have but little use for a land office at Mineral Point."<sup>76</sup> Nearly five hundred thousand acres of land were entered that year,<sup>77</sup> one-tenth by land warrants.

The activity at the land office contributed to the profits of the firm. Land warrants were naturally in demand, but the firm by now had turned most of them to the timbered regions of the state. Nevertheless, there were still opportunities for time locations. The profit on them was not as large as formerly, but it netted twenty-five percent.<sup>78</sup> Money for the loans continued partially to come from eastern sources, but the Bank of Hallowell and the Wisconsin Bank, founded in the spring of 1853, furnished increasing funds for loans and speculations. The banks served, also, to strengthen the credit of the two men and advertise them among eastern bankers and brokers. The facility in procur-

<sup>75</sup>Gregory, Southwestern Wisconsin, 1: 54.

<sup>76</sup>Mineral Point Tribune, November 29, 1854.

<sup>77</sup>Ibid., January 24, 1855.

<sup>78</sup>Woodman to Washburn, February 21, 1853, Woodman Papers.

ing money led to more timber purchases, increasing them beyond what Woodman's conservative nature thought advisable. The election of Washburn to Congress allowed for a dissolution of the firm, Woodman retiring with most of the cash assets of the firm. The bank at Mineral Point began to call in its circulation, and slowly Washburn shifted his operations northward.

The dissolution of the partnership did not terminate completely the land speculative activities or business relationships of the two men. Soon after his arrival at Washington, Washburn procured a list of unclaimed lands in the Mineral Point district from the land office at the capitol. He sent this list on to Woodman, suggesting joint entry of all good lands on a partnership basis. Likewise, he obtained a similar list for the Milwaukee district, but so valueless were the lands that the project was soon given up. <sup>79</sup> The continuance of his office at Mineral Point, now known as C. C. Washburn and Company, was beset with many difficulties. The village was no longer the center of his operations with logging his chief occupation. The lack of <sup>80</sup> land for local speculation had practically all disappeared. He found his office force incapable of carrying on the

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<sup>79</sup> Washburn to Woodman, February 13, 1856, February 29, 1856, March 9, 1856; Woodman to Washburn, February 24, 1856, Woodman Papers.

<sup>80</sup> Washburn to Benjamin S. Ingraham, April 3, 1856, Washburn Papers.

business, and when a majority of time locations were paid, he closed his office in 1859, taking up residence in La Crosse.<sup>81</sup> In 1863, Woodman moved to Cambridge, Massachusetts, thus ending the residence of both men in the lead district.

That they had been successful is apparent. They had early given up the practice of law, confined mostly to land litigation and collections, and became, in turn, agents for eastern land speculators. In this capacity, they sold acreage, kept squatters off the land, and paid taxes, the latter function not being without extra compensation. Payment of taxes was achieved by the use of county orders bought at a discount from holders, and acceptable by authorities for tax payments. For the sale of surplus orders in their possession, they were not above seeking aid from the authorities who pressed settlers for tax money. Such action drove the latter to agents for tax loans, thereby contributing to an unloading of warrants. The pre-emption loan was the basis of the firm's business. The issuance of bounty warrants, assignable after 1852 and purchasable at a discount, allowed the firm not only to continue a profitable pre-emption loan business, but to enter timber lands as well. The money for the speculative enterprises came from banks and loans of eastern origin. The location of the partners

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<sup>81</sup>George Woodman to Woodman, April 29, 1859, Woodman Papers.

contributed to their success for Mineral Point was one of the three original land districts in Wisconsin and one of the populated. When the partnership dissolved, the district was no longer the center of activity. The destiny of Washburn lay to the north.

## CHAPTER III

## SHOT MANUFACTURE AND MINING

Mineral Point, in addition to being the seat of the land office, was the center of the mineral district, from which the city got its name; and its port was Galena, Illinois, some forty miles south. The district embraced the present day counties of Grant, Lafayette, and Iowa, and the northern portion of Jo Davies and Stephenson counties in Illinois. This lead producing area was early known as the Galena district, partly because the excavation of lead ore began in close proximity to the settlement, but mainly because the city soon became the emporium for the district. Today, however, the largest mining areas and the most important mines, now zinc producing, are in Wisconsin, hence the term Wisconsin district is applied to the section by geologists and mining engineers. No attempt was early made to segregate the lands south of the latitude of northern Illinois from those north of it; for as late as 1828 the denizens of Platteville, Wisconsin voted for Illinois state officers. An effort was made at the inception of the Territory of Wisconsin to include the mining region under that government, but Congress had already drawn the boundary of Illinois. Nevertheless, the people of the district, regardless of their state loyalty, had similar problems which caused them to react alike to

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certain economic and social stimuli.

The importance of the lead region to the United States government is shown by the Congressional Act of March 3, 1807. This act provided that all the mineral lands of the Territory of Louisiana were reserved from sale with the provision that they should be leased for terms of three to five years at an annual rent. By successive action the lead district lands reserved amounted to 1,428,480 acres in Wisconsin, 345,600 in northern Illinois, and 184,320 in Iowa. A superintendent was appointed, and a royalty of ten percent of the produce of the lands, payable either in cash or lead, was extracted. In 1816, the United States granted the Indians all lands lying north of a line drawn due west from the southern tip of Lake Michigan to the Mississippi River, except a tract five leagues square on the river designated by the President. This reservation was intended to include the lead mines, the exact location of which was not as yet identified. Encroachment upon the Indian reserves and the question of the "five leagues" precipitated the Winnebago War of 1829, and the Black Hawk War of 1832. These wars

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<sup>1</sup>The literature on the lead region is plentiful. The State Historical Society of Wisconsin has recorded much of the early history in the Wisconsin Historical Collections and in the Proceedings of the Society. Not the least of the works on the lead district, published under the auspices of the Society, is Joseph Schafer's, The Wisconsin Lead Region (Madison, 1932). See also, John N. Davidson, "Some Historical Characteristics of the History of Our Lead Region," in Wisconsin Historical Society, Proceedings, (1899): 186-190.

served to advertise the region, and after the treaty of 1833, hundreds of settlers poured into the district. Aided by a favorable price, lead production increased rapidly; in 1834, it was 8622 tons; in 1835, it was 9485; while in 1836, miners raised 12,756 tons. Under such impetus the settlements of Platteville, Mineral Point, Hazel Green, and others came into existence. The whole region was soon dotted with log furnaces, the output going to Galena where William Hempstead, Henry and Nathan Corwith, and Campbell and Smith were the leading lead buyers.<sup>2</sup> In the speculative mania of 1836 thousands of acres of land in this section fell into the hands of eastern speculators. However, this activity did not stop the rush of people to the district.<sup>3</sup>

Under a government commission, Dr. David Dale Owens surveyed some eleven thousand square miles in southwestern Wisconsin, concluding that the district was one of the richest for its size in the world, and, in addition, capable of sustaining a large agricultural population.<sup>4</sup> It was as a member of this expedition that Washburn gained a vast knowledge of the lands in that section of Wisconsin which was

<sup>2</sup>Theodore Rodolof, "Pioneering in Wisconsin Lead Region," in Wisconsin Historical Society Collections, 15: 338-389 (Madison, 1900).

<sup>3</sup>Walter Renton Ingalls, Lead and Zinc in the United States (New York, 1908), 119-131; History of Crawford and Richland Counties, ed. by Consal W. Butterfield (Springfield, Illinois, 1884), 199-201; "Wisconsin Twenty Years Ago," in Wisconsin Farmer and Northwestern Cultivator, 2 (1850), 81-83.

<sup>4</sup>David Dale Owen, Report of a Geological Exploration of Part of Iowa, Wisconsin and Illinois (28 Congress, 1 Session, Senate Document No. 407, Washington, 1844).

to pay large dividends later. The publication of the Owens report drew hundreds of migrants there, and the land office at Mineral Point became a scene of activity. The mineral wealth was a cause for illegal entries as the government required an affidavit from the purchaser and a witness to the effect that no mineral existed upon the lands. Since many considered the oath a mere formality, it was not uncommon to lead a witness blindfolded over the lands and have him subsequently swear he had seen no evidence of minerals.<sup>5</sup> Congress later allowed relief for certain settlers who had been refused pre-emption privileges on the grounds that they had settled on mineral lands,<sup>6</sup> but it was not until 1846 that it allowed the President to sell the lands at his discretion for twice the usual government price. The only two general exceptions made were: those pre-empted, or those upon which there were outstanding government leases should not be sold.<sup>7</sup> By this time the mining industry was on the wane due to the presence of water in the mines and the attraction of other fields. Lead prices struck a low of \$2.95 to \$2.98 in May of that year, moving slowly, however, up to \$4.00 to 4.12½ by the close of the year. The flurry

<sup>5</sup>Rodolf, "Pioneering in Wisconsin Lead Region," in Wisconsin Historical Collections, 15: 365.

<sup>6</sup>Davidson, "History of Our Lead Region," in Wisconsin Historical Society, Proceedings, : 186.

<sup>7</sup>Thomas Donaldson, The Public Domain (Washington, 1884) 308, 319-320.

was enough to discourage miners, and many, for the sake of  
adventure, joined the army. The next exodus came with the  
gold rush, which took thousands to California. Simultaneous-  
ly, land became increasingly valuable for agricultural pur-  
poses which contributed no less to the decadence of mining.

The non-argentiferous mineral of the lead region was located sufficiently close to the earth's surface that it called for little work and skill on the part of early miners. Indians scraped away the crust and dug the ore with the horns of deer until the French furnished them with crude hoes and picks. Early American miners spent a little less than ten dollars for an outfit consisting of a pick, shovel, pails, plus other inexpensive articles, and such home made machinery as the windlass and crank. This machinery prevailed until the more modern type appeared in the late nineteenth century, for the opening rarely went below sixty feet. The Yankee abandoned half excavated mines to the Cornish who developed them, proving more successful as miners than prospectors. The mineral found a market at Galena, St. Louis, or New Orleans, following the natural waterways of the region. Supplies, settlers, and newspapers came in by the same highway, giving a Southern tone to the district. Because of its favorable position, St. Louis

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<sup>8</sup>History of Iowa County, ed. by Western Historical Company (Chicago, 1881), 682; "Lead Mines in the West," in American Railroad Journal and General Advertiser, 19 (1846): 794-795.

became the entrepot and port of transshipment for the lead districts of the West, forwarding almost seven hundred thousand pigs in 1845 to the New Orleans market.<sup>9</sup> But after the reduction of the rates on the Erie Canal, the trade shifted to Milwaukee, from which 141,120 pigs were shipped<sup>10</sup> in 1851. By this channel almost ten dollars was saved to lead shippers, and a steady trade grew up between the lake coast city and the Wisconsin district. Lead shipments from St. Louis decreased noticeably, and the lead district took on an Eastern character.

The shift of lead transportation eastward became the basis for rail building to the mines, and in 1845 an active campaign was waged for the construction of the Galena and Chicago Union Railroad from Chicago to intercept lead and agricultural supplies going to St. Louis, and to rob Milwaukee<sup>11</sup> of its growing importance to the lead region. Milwaukee retaliated by constructing the Milwaukee and Mississippi Railroad to intercept the lead shipments coming across Rock Prairie and to hasten them toward Milwaukee. Even Mineral Point felt the necessity of rail communication, and estimat-

<sup>9</sup>"Cities of the Valley of the Mississippi and Ohio," in The Commercial Review of the South and West, 1(1846): 145-153.

<sup>10</sup>"Wisconsin," in DeBow's Review and Industrial Resources, Statistics, etc., 14(1853):24-28; John G. Gregory, Southwestern Wisconsin: Old Crawford County (4 vols., Chicago, 1932), 1: 53; William J. Peterson, "Lead Traffic on the Upper Mississippi," in Mississippi Valley Historical Review, 17(1930): 72-97; History of Grant County, Wisconsin, ed. by Western Historical Society (Chicago, 1881), 420.

<sup>11</sup>"St. Louis and Chicago or St. Joseph Railroad," in American Railroad Journal, 18 (1845): 729-730.

ed the cost of a line southward to the Galena road at four hundred thousand, several hundred thousand under its completed outlay.<sup>12</sup> Cynics vowed that only miners would settle the region, for "no one would think of going to the shores of Lake Superior while so many fertile lands offer their attractions elsewhere."<sup>13</sup> Economic journals adroitly advocated the investment of money in the Wisconsin district if St. Louis were to win back the trade.<sup>14</sup> Although the battle of cities increased and the lead production declined, it had been and continued to be sufficient to support a shot tower on the Wisconsin River.

The quantity and quality of lead in southwestern Wisconsin prompted a group of capitalists led by Morgan L. Martin, of Green Bay, in 1833 to construct a shot tower through a cliff on the banks of Helena Creek, only a few yards from the Wisconsin River. Around the shot tower grew the village of Helena, with stores, a lumber yard, and a ferry, which at one time numbered close to twelve hundred people.<sup>15</sup> Martin ordered the construction of a vertical shaft about a hundred and twenty feet through rock, and

<sup>12</sup>"Mineral Point Branch Railroad," in American Railroad Journal, 25 (1852): 564.

<sup>13</sup>"United States Public Lands," in The Commercial Review of the South and West, 6 (1848): 92-100.

<sup>14</sup>"Lead Trade in the West," in DeBow's Review and Industrial Resources, Statistics, etc., 24 (1858): 211-212. The receipts at St. Louis were as follows: 1851, 503,751 pigs; 1852, 409,314; 1853, 442,218; 1854, 306,727; 1855, 315,677; 1856, 219,384; 1857, 200,402.

<sup>15</sup>Gregory, Southwestern Wisconsin, 1: 408.

another horizontal one some ninety feet long running in from the face of the cliff on the northeast side to meet it. At the bottom of the former shaft, some ten feet in diameter, was a cistern about three feet below the horizontal drift. There were three buildings used in the industry: two at the top of the cliff for melting and lead storage purposes, and a finishing house located at the mouth of the horizontal shaft. The lead, tempered with arsenic, was poured through a buckskin sieve and dropped into the cistern below, the fall giving the spherical shape to the shot. The perfect shot were sorted, polished, and packed for shipment, while the imperfect ones were re-melted. The machinery for the polishing process was the most expensive, while for pouring only a large black kettle and suitable ladles were used. Some of the shot went to Green Bay via the Wisconsin and Fox rivers, some to Milwaukee for shipment to Buffalo, the home of the eastern capitalists, and no small quantity went to Galena and St. Louis despite the fact that shot manufacturing had been conducted thrivingly near the latter city since 1809. The freighting was usually done by Illinois teamsters who brought lead up and took shot back, or to Milwaukee; for by 1842 or 1843, the shot was sent mostly to Buffalo via the latter city. The Wisconsin city remained the entrepot for Helena shot as long as the tower continued in existence, while St. Louis supplied Chicago until that city erected a

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tower of its own.

The property changed ownership on several occasions, passing through the hands of Daniel Whitney, James L. Morgan, Whitney, Platte and Company, and into the hands of Sheldon Thompson. Thompson sold the property to Charles Johnson and John L. Kimberly, of Buffalo, taking back a mortgage for the security of a promissory note. On September 5, 1843, the property was purchased by Henry Hamilton, of Buffalo, for six thousand dollars, at which price it was divided into thirds, John Metcalfe and John B. Terry each taking an interest. Hamilton appeared to mortgage the property to Kimberly and to continue the mortgage of Thompson, while Johnson apparently received a cash payment for his interest. By a similar token Metcalfe and Terry, both of Mineral Point, bought subject to those mortgages. Hamilton had the appearance of being a speculator whose design was to unload the tower at a fabulous price, and in the meantime let the two men contribute the work necessary to keep the industry in operation. However, by the middle of the 1840's there was a well established direct trade with the East, mainly Buffalo,

<sup>16</sup>Orin Grant Libby, "The Helena Shot Tower," in Wisconsin Historical Collections, 13: 335-374 (Madison, 1895).

<sup>17</sup>Ibid., 339; Gregory, Southwestern Wisconsin, 1 : 415; Memoirs of Iowa County, Wisconsin, ed. by George and Robert M. Crawford (Northwestern Historical Society, 1913), 74. This latter account is quite inaccurate and should be used with caution.

<sup>18</sup>Woodman to Washburn, August 3, 1846, Woodman Papers.

and the tower was capable of turning out between five and ten thousand pounds of shot daily. The price of shot remained fairly stable, and by purchasing lead in an off season at a low price netted the operators a substantial profit. Notwithstanding that fact, friction seemed present in the ownership and all appeared anxious to sell. Hamilton could not unload the property, and his two Mineral Point partners, for financial reasons, did not wish to continue in conjunction with him.

The profitableness of shot manufacture led Washburn and Woodman to begin negotiations for the purchase of the tower property. The discontent among the owners made an approach easier, and in 1845 Washburn confronted Hamilton, who was on a trip into the West, with a proposal for purchase which subsequently proved fruitless. <sup>19</sup> In the plans laid after the refusal by Hamilton, the two men decided upon leasing the tower for one year with the privilege of buying, or failing that a ninety day option. The latter plan would give them time to search for money necessary to conduct a prosperous shot business. The shot company remained cool toward the offers, but the next year saw a more favorable turn in events. Captain Terry's discontent with the operation of the tower had reached the point where he wanted

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<sup>19</sup>Washburn and Woodman to Nathaniel Deane, June 13, 1845, Woodman Papers.

to either sell out, or in some manner be released from the mortgage. Considering himself the most responsible man among the owners, Terry wished to extricate himself from the maze of mortgages and partnership liabilities before his equity in farm and mineral lands were seized by the courts for the payment of debts contracted by the shot company. When Woodman contacted him, he expressed a willingness to deed the property, and referred him to Hamilton for the latter's approval. Woodman thereupon sent the information on to Washburn, then in the East, requesting him to contact Hamilton and the Buffalo mortgages with the view of purchasing the tower if agreeable terms could be made.

Although the local owners had expressed the willingness to sell the property, the obtainment of Hamilton's approval required much more time and patience. Holding it at an enormous price, Hamilton was not nearly so willing to convey his third interest as were Terry and Metcalfe. Washburn must have exhausted all of his persuasive arguments, for Hamilton came to Mineral Point with the probable hope of interesting his two partners anew in the likelihood of a more profitable transfer. Meantime, Woodman became highly skeptical of the chances for successful operation of the tower, and began to write disparagingly of it, "It is

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<sup>20</sup>Woodman to Washburn July 31, 1846, August 3, 1846, Woodman papers.

certain," he wrote Washburn, "that such an addition to our business would absorb, directly or indirectly, nearly the whole time of one of us." But as Washburn brought the sale close to fruition, he suddenly changed and agreed to the purchase, on long term notes, at a price not exceeding ten thousand dollars. With Woodman expressing favor, Washburn rushed home, arriving the latter part of October some few days before Hamilton.<sup>21</sup>

The arrival of Hamilton was a signal for the sale of the tower. Conversations were carried on jointly and separately with the owners, and by the last of October, 1846, Washburn and Woodman took an option on the property until January 1, 1847, when, if the owners agreed to the sale, the sum of six thousand dollars was to be paid. The correspondence relative to the refusal definitely shows only two of the three men were willing to release the property--Hamilton apparently disagreeing.<sup>22</sup> However, some two weeks later, Hamilton capitulated, and gave Woodman a letter of introduction to the mortgagees commending him highly. The firm of Washburn and Woodman hoped to substitute their own bond and mortgage for the one the Buffalo capital-

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<sup>21</sup> Woodman to Washburn, August 14, 1846; Woodman to D. J. P. Thompson, August 3, 1846, Woodman Papers.

<sup>22</sup> Washburn and Woodman to Terry, Hamilton and Metcalfe, October 22, 1846, Woodman Papers.

ists held, agreeing to pay interest regularly after<sup>23</sup>  
possession of the property was taken January 15, 1847.

(It was not until February 15, 1847 that the partners took  
control of the tower property, and thus came into possession<sup>24</sup>  
of an industry with a well established trade.

The purchase of the tower beset Washburn and Woodman  
with problems of finance. Not only must some way be found  
to satisfy the mortgagees before the property came into the  
possession of the two men, but credit, necessary for the  
successful operation of the tower, must be obtained. In  
the first instance, Woodman was sent to Buffalo to ascertain  
the terms under which the mortgagees would allow the in-  
debtedness on the tower to continue. So unsuccessful was  
the conference that he continued on to Boston, hoping in<sup>25</sup>  
that city to interest some one in financing the project.  
Boston capitalists, in turn, despite the certified assurances  
of Milwaukee wholesalers that shot sales in the Lake Michigan  
markets would reach two hundred or two hundred fifty thou-  
sand pounds and bring between ten and fifteen thousand  
dollars, felt indisposed to risk a long term loan on the<sup>26</sup>  
industry at Helena. Even the friendly Henry Hubbard, banker

<sup>23</sup>Henry Hamilton to Charles Townsend and J. L. Kimberly,  
November 4, 1846, Woodman Papers.

<sup>24</sup>Libby, "Helena Shot Tower," in Wisconsin Historical  
Collections, 13: 339, 364.

<sup>25</sup>Woodman to Washburn, November 23, 1846, Woodman Papers.

<sup>26</sup>Ibid., November 13, 1846, Woodman Papers.

at Charlestown, New Hampshire, who on successive occasions joined the partners in speculative ventures, could not be induced to take the property as security for a long term loan. However, he granted Woodman a small one, with a life<sup>27</sup> insurance policy as collateral, for the purchase of lead. The failure to secure funds in Boston and the apparent inability to obtain suitable terms from the Buffalo mortgagees compelled Washburn and Woodman to make some financial arrangements with the present owners for the tower property. A series of mortgages on the property complicated matters, but Washburn and Woodman gave Hamilton their promissory notes to the extent of forty-five hundred dollars with the understanding that the money received in payment of the loan should be turned over to the Buffalo capitalists for the satisfaction of the mortgages against the property.<sup>28</sup> This maneuver released Terry and Metcalfe, doubtless without any cash payment, and gave the partners control of the tower. Although the notes were dated January 15, 1847, possession of the tower was not taken until one month later.

A second financial question confronting the new owners of the Wisconsin Shot company was the procurement of capital for current operating expenses. Estimates of the

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<sup>27</sup>Henry Hubbard Jr., to Washburn and Woodman, December 5, 1846, January 14, 1847, Woodman Papers.

<sup>28</sup>Washburn and Woodman to J. L. Kimberly, November 24, 1849, Woodman Papers.

sum necessary varied; the former operators set the amount at fifty thousand dollars on thirty days demand in order to take advantage of low lead prices. The obtainment of this sum, Woodman felt, was quite beyond the reach of the two men, but at least they could make some attempt to approximate the total.<sup>29</sup> The kind of money was another consideration; for among the Cornish, the English sovereign became the accepted medium of exchange, and the purchase of mineral was computed in that coin. Therefore, the question was not one of capital alone necessarily, but capital in the form of gold.

With the Eastern money markets apparently closed to them, the firm turned to a system of advances from wholesalers or merchants. Plainly, the system was nothing more than the advancement of money at a given rate of interest in return for the privilege of selling the products of a business on commission. Previous owners had secured advances through Milwaukee, but the new firm thought it more advantageous to make arrangements both at the Mississippi River and the lakes. In pursuit of this plan, they sought advances from James Carter and Company, of Galena, who had financial connections with Alex Mitchell of Milwaukee, but failed to secure any support.<sup>30</sup> More suitable arrangements were made with Miller

<sup>29</sup>Woodman to Washburn, August 3, 1846, Woodman Papers.

<sup>30</sup>Washburn and Woodman to James Carter and Company, October 21, 1846, Woodman Papers. The relationship was a triangular affair. Carter had been an employee of George Smith who, in turn, employed Mitchell as secretary of the Wisconsin Marine and Fire Insurance Company.

and Cushman, of Milwaukee, who operated throughout the Great Lake region. Woodman had proposed a partnership with the understanding that the Milwaukee concern would put up the money and the Mineral Point firm the tower and management, and that both should participate equally in the profits; but the amount of money necessary to swing the project was so large that the proposition fell through. It was finally decided that Miller and Cushman should sell the shot on a five percent commission, and to charge twelve percent for all cash advancement. The lake market, they believed, would absorb up to a quarter million of pounds, and they requested a hundred thousand be dispatched immediately.<sup>31</sup>

Although the two men were assured advances from Milwaukee, they thought the interest rate too high, and therefore continuously sought "a good business man with a cash capital of from four to six thousand to engage in the manufacture of shot"<sup>32</sup> with them. They offered a partnership to Richard McKim, of New York, on the basis that he should advance a sum, useable only for lead, equivalent to the purchase price of the tower, and allow Washburn and Woodman five hundred dollars a year rent plus cash traveling expenses to and from the tower, in return for an equal division of

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<sup>31</sup>Woodman to Washburn, November 13, 1846; Washburn to Woodman, November 16, 1846, Woodman Papers.

<sup>32</sup>Woodman to Deacon Ephriam Flint, February 15, 1847, Woodman Papers.

33 profits. McKim recognized the profitableness of the proposition, but his inability to dispose of certain New York property made partnership with him impossible.<sup>34</sup> Woodman approached Daniel Thompson, his wife's cousin and a graduate in civil engineering from Norwich University, and offered him the management of the tower. On his arrival at Helena a few years later he declined a permanent position, but temporarily rendered physical and financial assistance to the firm.<sup>35</sup>

The new owners entered the first year of shot manufacturing with a shortage of capital. They had been unsuccessful in securing financial aid from Easterners, and since the land speculation formed the major part of their activities and brought them such high returns, they felt little inclined to switch funds from that department of their business. Consequently, the partners were forced to rely on advances from Miller and Cushman, but the rate of interest doubtless caused them to delay requesting the money until lead prices had so increased that the profits were cut tremendously. By the middle of the summer of 1847, the shot company had made over

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<sup>33</sup> Washburn and Woodman to Richard McKim, November 18, 1846; Washburn and Woodman to George Woodman, February 15, 1847, Woodman Papers.

<sup>34</sup> Woodman to George Woodman, April 4, 1847, Woodman Papers.

<sup>35</sup> Woodman to D. J. P. Thompson, August 3, 1846, Woodman Papers. For a short account of Thompson's life see, "Letters of a Yankee Sugar Planter," ed. by C. L. Marquette, appearing in Journal of Southern History, August or November, 1940.

a hundred fifty thousand pounds of shot worth at the tower upwards of seven thousand dollars, and then temporarily suspended operations.<sup>36</sup> They never ceased, however, searching for cash capital to make the shot business a more profitable venture. That they owned the only tower north of St. Louis was an asset in their opinion, but outside capitalists never subscribed to the idea, and the partners depended almost entirely on advances from Milwaukee and loans from Corwith and Company, of Galena, leading lead buyers, to finance the business.<sup>37</sup>

Notwithstanding the delay for funds, the partners began pouring soon after taking possession of the tower. For the management of the enterprise they secured the services of John Metcalfe, who had occupied that position when he was a part owner in the tower, and who was generally conceded as the best in the business. The two men proceeded with a great deal of caution; for not knowing the extent of the market, and even with lead at \$3.10 a hundred, they had no intention of overproducing the first year, especially if the financing were done solely by means of advances at twelve percent interest. However, by the middle of June, they had the first shipment of 41,305, packed in 138 kegs, ready for the market. This was sent to Miller and Cushman, of Milwaukee. Immediate-

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<sup>36</sup>Woodman to George Woodman, July 27, 1847, Woodman Papers.

<sup>37</sup>Washburn and Woodman to James T. Hayward, November 16, 1847, Woodman Papers.

ly upon the arrival of eight teams carrying the product, the shot was sold to Stephens Young and Company, of Montreal, at the reputed price of five and a half cents, bringing nearly twenty-three hundred dollars. Within the next month 51,400 pounds more arrived at Milwaukee, and was as readily sold to lakeboard merchants. So perfectly manufactured and well received was the product that Cushman made a trip to eastern cities with the view of enlarging the market. By the middle of the summer, the company's reputation had reached a Boston firm which requested three hundred bags of shot be sent there as a sample. Of the amount manufactured over a hundred fifty thousand pounds of shot found a waiting market at Milwaukee through Miller and Cushman who deplored the fact that not more were made for sale there. Locally,

<sup>38</sup> Washburn and Woodman to Miller and Cushman, June 17, 1847, June 21, 1847; Miller and Cushman to Washburn and Woodman, June 23, 1847, Woodman Papers.

<sup>39</sup> *Ibid.*, July 26, 1847.

<sup>40</sup> Washburn and Woodman to John Metcalfe, June 22, 1847, Woodman Papers.

<sup>41</sup> Washburn and Woodman to Miller and Cushman, November 10, 1847, Woodman Papers. The following are the shipments to Miller and Cushman:

Date	Quantity	Unit	Receipts no.	Range
June 21, 1847	41,305	lbs.	teamsters	1 to 8
July 12, 1847	3,600	"	"	9
July 22, 1847	12,600	"	"	10
July 26, 1847	35,200	"	"	11 to 15
Aug. 9, 1847	19,000	"	"	17 to 20
Oct. 8, 1847	7,600	"	"	21 to 22
June 22, 1848	32,200	"	"	23 to 28

These figures throw some light on the business of freighting. Lead schooners, drawn by six, eight, or more oxen, normally hauled about 2½ tons in the summer and one ton in the winter months to a load, for a consideration of ten dollars a ton. The journey generally consumed from eight to ten days. For the return trip a cargo was usually obtainable; however, a good teamster never traveled "in ballast" but brought back lumber, salt, food products, or other commodities in demand throughout the region.

Foster and Stephenson, and in the Galena market, Edward Hempstead, supplied the markets. The shot company, because of its proximity to these places made no attempt to undersell them, but maintained a tower price equivalent to that of the Galena market.<sup>42</sup> Successful as the business of the year was, Woodman complained of the lack of funds to meet a note of eighteen hundred dollars on the tower,<sup>43</sup> and offered Hamilton twenty thousand pounds of shot as part payment<sup>44</sup> on the loan.

For the years 1847 and 1848, the tower was run with a large measure of success. The first years of operation, despite Woodman's chronic complaint of the deficiency in earnings, were remunerative enough for the partners to continue the arrangement with Miller and Cushman, and even contemplate an expansion. Had the balance sheet been contrawise, the two men would have curtailed operations. The low price of lead, somewhat the result of the McKay tariff of 1846, was a powerful factor in inducing a continuation of the project. At the beginning of the 1848 season, the Milwaukee concern sold 43,700 pounds at \$5.50 less five percent commissions to the firm of Barney and Company, and Stimson and Company, of Cleveland and Detroit.<sup>45</sup> The advance

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<sup>42</sup> Washburn and Woodman to Edward Hempstead, November 23, 1847, Woodman Papers.

<sup>43</sup> Woodman to George Woodman, September 28, 1847, Woodman Papers.

<sup>44</sup> Washburn and Woodman to Hy Hamilton, September 8, 1847, Woodman Papers.

<sup>45</sup> Washburn and Woodman to Miller and Cushman, February 6, 1848, Woodman Papers.

sales were an excellent indication of the seasons prospects, and the firm apparently prospered from the investment at the tower.<sup>46</sup> Close to the end of the season, arrangements with Miller and Cushman changed when the latter withdrew from the partnership,<sup>47</sup> and the firm began to seek new outlets.

The year 1849 proved an unfavorable one for the manufacture of shot. Too many Cornish men had migrated to California gold fields leaving the district sorely depleted of its best miners. Scores of mines were abandoned, and, by consequence, the production of lead, which for the past two years had been steadily declining, hit a new low. But the price rose rapidly; and by the summer of that year pig lead was bringing \$3.80 at Mineral Point and \$3.95 at the tower. The exodus had little effect on the production costs which remained at the same level as previously; while the transportation costs to Milwaukee, due to the demand for teams and wagons on the westward trek, increased so noticeably that a combination of all factors made it unprofitable to

<sup>46</sup> Libby, "Helena Shot Tower," in Wisconsin Historical Collections, 13: 364-465.

<sup>47</sup> The average price of lead on the St. Louis market throws some general light on the shot operations. Mr. Ingalls collected the prices from various sources, and does not claim them to be accurate. However, he believes they show a trend over a course of years that is important in a study of the lead district, and its transformation to an agricultural region.

1846	\$3.42 cwt.	1851	\$4.28 cwt.	1856	\$6.22
1847	3.71	1852	4.35	1857	6.00
1848	3.68	1853	5.98	1858	5.20
1849	4.07	1854	6.19	1859	5.25
1850	4.60	1855	5.74	1860	5.25
				1861	5.25

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sell shot at the old price of \$5.50 and pay commissions. For some reason the eastern price of shot, probably due to the influx English make, did not rise correspondingly with the price of mineral or production costs. But strangely the St. Louis market did; and the partners began to ship increasing amounts to Galena, which had been supplied from that source. Naturally, the transport charges were less, especially now that steamboats occasionally docked at Helena, so that a price of \$1.35 for twenty-five pounds represented a distinct profit.<sup>48</sup> Another strange coincidence, and more than likely the cause can be traced to the high price of transportation to Milwaukee, was the selling of St. Louis shot on the Detroit market, normally in the Wisconsin Shot Company's territory, at a figure slightly over \$1.36. In the face of this competition, Washburn and Woodman suspended tower operations for the year, ordered Miller to sell the shot on the wharves as close to \$1.50 as expedient, and they cut off shipments to that point.<sup>49</sup>  
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The transportation question was not the only reason for the shift to Galena. There was the growing uncertainty of Miller's solvency which puzzled the two men. Wagon loads of shot had been delivered to Miller for which the Wisconsin

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<sup>48</sup>Washburn and Woodman to Edward Hempstead, August 10, 1849, Woodman Papers.

<sup>49</sup>Washburn and Woodman to Henry Miller, July 16, 1849, Woodman Papers.

<sup>50</sup>Ibid., September 11, 1849.

Shot Company had difficulty in securing statements of sale. When they dispatched letters to ascertain market conditions, answers were not always forthcoming. Advances became harder to get. In the Galena market, however, the sale was generally for cash thus involving little labor of collection.

Washburn and Woodman by now turned more and more to Corwith and Company for loans of sixty to ninety days duration, using the manufactured shot as a means of reducing that indebtedness.

Conditions in the fall of 1849 remained unsettled when Washburn journeyed to New York to engage in bounty warrant speculation. Although he was aware of the downward trend of mineral prices, a yearly event upon the close of lake transportation, he withdrew two thousand dollars of his share in the profits from the firm's activities thus eliminating that source as a possibility of lead purchases for the ensuing year.<sup>51</sup> Since the partners had intended enlarging operations for the coming year, Woodman turned to Hubbard, of Charlestown, New Hampshire, for the advancement of "several thousand dollars" from the Hubbard bank to make<sup>52</sup> contracts for lead. Meeting with no success, Washburn decided to all in person hoping to raise around three

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<sup>51</sup>Washburn to Woodman, November 25, 1849, Woodman Papers.

<sup>52</sup>Washburn and Woodman to Hy Hubbard, September 11, 1849, Woodman Papers.

thousand dollars, a sum sufficient for advances on three  
<sup>53</sup>  
 hundred pounds of lead. With all his effort he was able  
 only to dispatch one thousand westward, hoping that by some  
 other means his partner could find funds to stock the tower  
<sup>54</sup>  
 with lead. Soon after the departure of Washburn, there  
 came a notice from J. L. Kimberly, the mortgagee of the  
 tower, of the next installment on the tower, and that the  
 money paid Hamilton had not been applied to reduce the  
<sup>55</sup>  
 mortgages as agreed. In the face of the discouragements  
 of the year, it is little wonder Woodman requested Washburn's  
 presence at Mineral Point.

Despite the financial acumen of the two men, Miller,  
 by the end of 1849, had become indebted to them for over a  
 thousand dollars, and, as security, offered Washburn and  
 Woodman a first mortgage on a Milwaukee city lot. Hoping to  
 gain an advantage and force payment, they transmitted to  
 Hamilton a sight draft on Miller for an installment on the  
 tower mortgage. The draft was returned unpaid. The con-  
 dition grew alarmingly worse when Miller went into bankruptcy.  
 Faced by such a condition, Washburn and Woodman retained the  
 law firm of Finch and Lynde and immediately began suit to

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<sup>53</sup>Washburn to Woodman, December 11, 1849, Woodman Papers.

<sup>54</sup>Ibid., December 17, 1849.

<sup>55</sup>J. L. Kimberly to Washburn and Woodman, November 5, 1849;  
 Washburn and Woodman to J. L. Kimberly, November 11, 1849,  
 Woodman Papers.

recover in local court on the real estate mortgage. However, believing the foreclosure case one for the federal courts and that they might receive more favoritism, now that Miller declared bankruptcy, Washburn and Woodman offered to transfer the indebtedness to Hamilton which would give the suit to the federal court. The law firm advised against the change of venue and left the case as it was. The conditions stood that way when the 1850 season began.<sup>56</sup>

After the experience with Miller, the shot company contracted with Corwith and Company for the sale of the 1850 output. This concern was the leading lead buyer of Galena, and their reputation with buyers and sellers extended up and down the Upper Mississippi and throughout the Northwest. Since the two men increasingly obtained advances through that house, aided to no small degree by the friendliness and position of E. B. Washburne, at a lower rate than previously acquired at Milwaukee, the bargain was a good one. However, as the Galena and Chicago Union Railroad approached the former city, the Corwiths became increasingly partial to the latter market, possibly because they wished to increase the revenues of the road in which they were financially interested. At any rate, the Chicago market had always

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<sup>56</sup>Washburn and Woodman to Henry Miller, January 9, 1850, March 22, 1850; Washburn and Woodman to Finch and Lynde, February 4, 1850, March 13, 1850, Woodman Papers.

been cheaply supplied from St. Louis--cheaper than the Wisconsin tower could manufacture for that entrepot. Perhaps fearing the shot agreement might break up from lack of profit, Washburn and Woodman carefully and prudently informed Corwith that the Detroit, Cleveland, and Buffalo markets had always been considered in the Wisconsin tower could manufacture for that entrepot. Perhaps fearing the shot agreement might break up from lack of profit, Washburn and Woodman carefully and prudently informed Corwith that the Detroit, Cleveland, and Buffalo markets had always been considered in the Wisconsin tower's trade area, and had proven lucrative ones. There was little question, they intimated that these three marts could absorb three hundred thousand pounds easily if properly worked. However, only some one hundred seventy thousand pounds were sent to Milwaukee, while the Galena and local markets took one quarter as much more. The year proved one of the most fruitful which, incidentally, bespeaks well for Washburn upon whose shoulders the management of the tower rested while Woodman was in California.

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<sup>57</sup> Washburn and Woodman to Corwith and Company, May 30, 1850, Woodman Papers.

<sup>58</sup> The shipments for the 1850, as closely as can be ascertained, were: Dausman and Company, Milwaukee, 113,600 lbs.; Wells and Hill, Milwaukee, 54,400; Galena, 103,400; and local market, Mineral Point, Dodgeville, etc., 114,500.

<sup>59</sup> Washburn to Woodman, May 31, 1850; Washburn and Woodman to N. Corwith and Company, December 10, 1850, Woodman Papers.

That year the tower was placed in charge of Daniel Thompson who encountered some difficulty in beginning operations due to the shortage of labor. It was not until Washburn made a special trip to Helena and the two men scoured the countryside that sufficient hands were secured to begin pouring.<sup>60</sup> By the first of June, the tower was in full production, turning out five thousand pounds daily, and shipments soon moved to the lake and Galena without further delays.<sup>61</sup> To replenish the lead supply, a hundred pigs of lead were bought from John Musgrove, but before the contract was completed, Washburn experienced considerable trouble with him.<sup>62</sup> The transaction proved profitable, for notwithstanding the fact lead brought \$4.30 at the furnace, the firm sold it to S. Moulson, of Rochester, New York, which desired to use it in the manufacture of points.<sup>63</sup> Thompson replaced the buckskin sieve with a steel one which Washburn obtained in New York earlier that year. The warehouse, not included in the original purchase, was bought from Hamilton and converted into a finishing house.<sup>64</sup> The business at Helena prospered so

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<sup>60</sup>Washburn to Woodman, May 27, 1850, Woodman Papers.

<sup>61</sup>Ibid., June 4, 1850.

<sup>62</sup>Ibid., May 21, 27, 31, 1850.

<sup>63</sup>Washburn and Woodman to H. J. Nazro, May 22, 1850, Woodman Papers.

<sup>64</sup>Washburn to Woodman, May 27, 1850; Woodman to Daniel Thompson, February 13, 1850, Woodman Papers.

much that Woodman believed it necessary for one of the firm to reside there. Despite the fact that Helena had two taverns and a warehouse, Woodman further proposed the opening of a store, handling staples with which they "could pay the hands at the shot tower and get lumber and wood at a better advantage."<sup>65</sup>

Unfortunately for the partners, Thompson left the tower and went to Pekin, Illinois where he engaged in the provision business. The tower in the next two years following his resignation did little, scarcely reaching the total of one hundred thousand pounds in each year.<sup>66</sup> The little shot manufactured in these years was sold on the Galena and Milwaukee markets independent of any contractual arrangement with Corwith which marked the transactions of 1850.<sup>67</sup> When word of the large and successful output of that year reached Hamilton's ears, he requested the agency at Green Bay, hoping through that channel to capture the area controlled by Milwaukee. The partners showed a willingness toward the project, but the lack of uninterrupted water transportation to Green Bay ended the project and the firm settled down to a meager production schedule until 1853.<sup>68</sup>

<sup>65</sup> Woodman to Washburn, December 15, 1850, Woodman Papers; Madison Argus, March 5, 1850.

<sup>66</sup> Woodman to Daniel Thompson, April 2, 1851, Woodman Papers.

<sup>67</sup> Washburn and Woodman to Wells and Hill, April 23, 1851, Woodman Papers.

<sup>68</sup> Washburn and Woodman to Hy Hamilton, September 9, 1851, Woodman Papers.

In 1853, John Bradford was placed in charge of the tower. Bradford was mechanically inclined, and soon the tower exhibited the results of that aptitude. Under his direction new equipment was purchased and several improvements made. New sorting and polishing machinery was installed. The finishing house was rearranged. The first sewing machine in the district was bought and put into service at the tower in 1854. The partners gave Bradford free rein and were gratified by the results. Within a year shot production doubled, and more perfect shot were poured. By the first of 1854, Woodman recounted to Thompson the modernity of the machinery, adding that "Mr. Bradford is improving on any thing that has yet been done in that line."<sup>69</sup> Helena responded to the new era. Joseph Smith opened a store and lumber yard, in connection with Washburn and Woodman, with the view of intercepting lumber rafts on the Wisconsin River and transporting the products over land to the lead mines.<sup>70</sup> The population increased, but the advance-

<sup>69</sup> Libby, "Helena Shot Tower," in Wisconsin Historical Collections, 13: 366-370; Woodman to Daniel Thompson, February 9, 1854, Woodman Papers. Bradford was born in Massachusetts and came West in 1837 in the interest of the Boston and Western Land Company. He settled at Winslow, Illinois. It was there that he met Woodman, the two becoming fast friends. After years of service with the partners, Bradford continued with Washburn as chief engineer at the Waubeek mill on the Chippewa River. For a time he was placed in charge of a newly constructed shot tower in Chicago, but stayed only a year. He returned to Winslow after service with Washburn, living off a few acres of land and a small government pension. His genius was in mechanics and not in accumulation of money, for he died a poor man.

<sup>70</sup> Woodman to Daniel Thompson, January 14, 1853, Woodman Papers.

ment of the Milwaukee and Mississippi spelled the doom of the village when the road missed it. The shot continued to follow the usual paths but the amounts to Galena multiplied. Profits followed similar increase and it was little wonder Bradford kept charge.<sup>71</sup> Had the condition been otherwise, the shot company would have soon released him and secured another operator.

It was in the same year that Washburn and Woodman completed payment on the tower, but not without encountering considerable difficulty, in the course of the past six years, of securing a release of the mortgages. Hamilton, in 1847, represented the tower property as encumbered with only forty-seven hundred dollars mortgaged to Townsend and Kimberly of Buffalo, and Sheldon Thompson. Failing to secure financial assistance from eastern bankers to make full payment for the property, or to obtain suitable arrangements with the Buffalo capitalists, Washburn and Woodman were forced to give Hamilton a mortgage for the entire amount when they took over the tower with the understanding that all payments by them should go to release the Hamilton indebtedness to the Buffalo capitalists represented by Townsend and Kimberly, principal mortgagees. The agreement, somewhat a strange one for property is usually sold subject to mortgages, met with Hamilton's approbation, and he turned the notes over to the

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<sup>71</sup>Woodman to George Woodman, August 11, 1853, Woodman Papers.

Buffalo group as additional security for his indebtedness with them. Thompson, Townsend, and Kimberly gave taut approval by accepting the notes. Some payments were made under this agreement.

The last week in December, 1850, a month after Woodman's return from California and while Washburn was in the East with his mentally sick wife, Sheldon Thompson requested the balance of the second Washburn and Woodman note to Hamilton. As the payment of this note would make the aggregate total of forty-seven hundred dollars, Woodman inquired as to the disposition of the mortgage, but learned that Townsend and Kimberly refused to release the mortgage on Hamilton, claiming that his indebtedness to them exceeded that figure. Woodman insisted that the partner's mortgage to Hamilton be released and corresponding legal adjustments made upon payment of the installment. Moreover, he refused to meet the accommodation unless accorded this courtesy despite financial friction between the members of the Buffalo cabal and Hamilton. Confronted thusly, Thompson returned the collection to Townsend and Kimberly, and reported Woodman's conversation. Meanwhile, Hamilton, to stop the payment, informed the partnership that he had instructed Crawford and Parris, Mineral Point lawyers, to begin suit for the recovery of the notes if John Bracken, now the agent for the Buffalo group after Thompson's withdrawal, turned

over the evidence of indebtedness upon payment. Bracken, friendly to Washburn and Woodman, informed the latter he would make no attempt to collect the loan for his principals, by recourse to courts, if some gesture toward payment were made. Woodman agreed to pay the installment with the understanding that if the release did not arrive within five weeks the money should be repaid. He then handed Bracken a sight draft to the amount of \$1243.47 for Townsend and Kimberly for the account of Hamilton, notifying the latter of the action. To meet the accommodation, the firm borrowed twelve hundred dollars from Corwith, of Galena, on ninety days time.<sup>72</sup> The mortgage was released. Hamilton's friendliness to the concern is shown by the request for the Green Bay depot in the fall of 1851.

At the close of 1852, there remained but one thousand dollars on the tower which was paid the next year.<sup>73</sup> Thus in the course of six years the partners had paid the entire sum, giving some indication of the profitable business in shot. By the beginning of 1854, it might well be said that the tower belonged to them. The combination of a debt free industry and an excellent management increased production

<sup>72</sup> Woodman to Washburn, December 28, 1850, January 26, 1851, February 2, 1851; Washburn and Woodman to Henry Hamilton, January 27, 1851, Woodman Papers; Libby, "Helena Shot Tower," in Wisconsin Historical Collections, 13: 355-360.

<sup>73</sup> Washburn and Woodman to Hy Hamilton, December 31, 1852, Woodman Papers.

and profits. <sup>74</sup> The quality of the shot soon attracted buyers in Chicago, and began gradually to replace the St. Louis shot, considered not as handsome or as well formed as Wisconsin shot.

Both lead and shot were sources of revenue for the railroads pushing out from the lake coast cities <sup>75</sup> to connect the two great waterways, and, in a measure, they reacted to the stimulus of rail construction. By the beginning of 1850, both items had figured prominently in the exports of Milwaukee, and railroads began construction to retain or intercept the trade. The Galena and Chicago Union moved westwardly out of Chicago to Galena in a vain effort to bring a majority of the lead trade to Chicago. The Milwaukee and Mississippi sought to retain the trade for Milwaukee, and the road purposefully curved southward to meet the lead traffic which generally hit the Janesville turnpike. It must not be overlooked, however, that the agricultural products on Rock Prairie and on the Rock River were sources of revenue, but the path followed the lead trails. The laying of rails to Madison

<sup>74</sup> Libby reports the shipments on the Milwaukee and Mississippi Railroad from 1853-1859, and the Milwaukee and Prairie du Chien Railroad as follows:

1853	110,201 lbs.	1857	415,714 lbs.
1854	91,379	1858	215,377
1855	160,844	1859	341,104
1856	277,839	1861	16,480

Obviously, this is not the entire production for the local and Galena trade is not computed, but the shipment eastward to the lake. Libby, "Helena Shot Tower," in Wisconsin Historical Collections, 13: 369.

<sup>75</sup> "Lead Trade in the West," in DeBow's Review and Industrial Resources, Statistics, etc., 24(1858): 211-212.

and the Mississippi meant a move for the shot trade, although the rail company considered it more economical to miss the bluffs at the tower, leaving, by consequence, the village of Helena without rail accommodations.<sup>76</sup> The shot company began to advertise prompt delivery and extended manufacture of shot. Arena became the shipping point, and the shipments from that point give testimony of the production.<sup>77</sup> The markets were more wide spread, and the Chicago market loomed as a reality when the Galena road reached the city of Freeport.

It was over the Mineral Point railroad with its Chicago connections that the Wisconsin Shot Company hoped to capture the Chicago market. Mineral Point long felt the need of a railroad, and rather joyously eyed the progress of the Galena road because of the connections it offered. Denizens of the lead district began raising funds in 1852, but they were unable to secure sufficient amounts or make arrangements with connecting lines. In the middle 'fifties the project received a new life when rail journals pointed out the mineral wealth of the hinterland, the lucrative lead trade of the past few years, and the possible traffic in coal for smelting

<sup>76</sup> "Milwaukee and Mississippi," in American Railroad Journal, 25 (1852): 369-370; Orin Grant Libby, "Significance of the Lead and Shot Trade in Early Wisconsin History," in Wisconsin Historical Collections, 13: 293-334 (Madison, 1895).

<sup>77</sup> Libby, "Helena Shot Tower," in Wisconsin Historical Collections, 13: 368.

copper, lead and zinc. That advertisement, plus the careful ground work by the directors of the road, won for the village a completed road in 1857, jointly leased to the Illinois Central and the Galena and Chicago Union at an annual rental of fifty-six thousand dollars.<sup>78</sup> The completion of the line in April, 1857, hailed as a great event in the village's history, made the market of Chicago more accessible to the shot company from Mineral Point than Helena, so a new trade channel developed. "Next year," wrote Luther Whittlesey, agent of Washburn since the dissolution of Washburn and Woodman, to the latter, "we want to have a shot depot here; let the teams haul shot down and lead back, and receive our orders for the eastern market here & ship it ourselves. The shot for Milwaukee will, of course, be shipped from Arena, but the Chicago orders, which are or will be by far the largest, will be filled here. The St. Louis shot are not as handsome or regularly assorted as ours and are not thought as highly of in Chicago."<sup>79</sup> Although the market was attainable and readily sought after, certain factors acted as deterrents to a profitable trade with the new metropolis.

<sup>78</sup> "Mineral Point Branch Railroad," in American Railroad Journal, 25 (1852): 564; "Mineral Point Railroad," in American Railroad Journal, 25(1852): 773; 29(1856): 67; 30(1857): 219. Both Washburn and Woodman owned stock in the road, and both served as directors. Woodman at one time was president, but he resigned to take a trip abroad.

<sup>79</sup> L. H. Whittlesey to Woodman, December 2, 1856, Woodman Papers.

After dissolution of the partnership in 1855, the tower became more and more unprofitable. Not the least of the factors which reduced the profits of the business to a percentage of former years was the absence of Washburn at Washington, where he was serving in Congress. It became necessary, therefore, to operate through agents who did not have the financial acumen of the owner. Although Bradford proved to be an asset mechanically, and produced more shot in the years following the dissolution than formerly, there was little to mark him as successful from the business viewpoint. He neglected to get the manufactured shot away to the markets. Believing another person might serve to prod him forward, Washburn allowed Bradford to join hands with Jonathan Evans in operation of the tower, but this likewise made no improvement in the profits.<sup>80</sup> Little more could be said of Luther Whittlesey and Henry P. George, the "general" overseers of Washburn's lead district enterprises, who similarly showed little business intelligence. They overloaned money on poor security; they in no way operated the business according to instructions, In the shot business, they gave little cooperation to Bradford in the purchase of lead and the forwarding of orders.

The shortcomings of his agents prompted Washburn to

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<sup>80</sup>Washburn to Woodman, September 20, 1855, Woodman Papers.

seek some arrangement with Woodman whose business ability he admired. An opportunity to interest him came in the form of a proposal from Corwith and Company to take half interest in the tower providing an honest and trustworthy manager could be found. Washburn dispatched the information on to his former partner, proposing a three-way partnership, each taking a third interest. Corwith, he recounted, agreed to finance the business with the hope of supplying entirely the lake and upper river markets. Woodman declined to engage so soon in any new business ventures.<sup>81</sup> He next proposed a renewal of the partnership for the tower alone, Washburn giving the tower and Woodman contributing the management, each sharing equally in the profits, but once more Woodman refused to be swerved from his purpose of traveling abroad in the interest of his children's education. When, in turn, he proposed men for the position, the suggestions met with Washburn's disfavor. "I should greatly prefer," he wrote "to have you take an interest of  $\frac{1}{2}$  to having any one else, but if you will not, I must do the next best thing I can."<sup>82</sup> The failure to interest Woodman caused the Corwith project to fall through, and Washburn continued as best he could.

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<sup>81</sup>Washburn to Woodman, July 15, 1855, December 5, 1855, December 26, 1855, Woodman Papers.

<sup>82</sup>Ibid., January 8, 1856.

Washburn's other interests, much more lucrative, cut down the attention and the money he could devote to it. The lumbering interests on the Black, Chippewa, and Rum rivers occupied too much of his time. In 1856, he purchased an interest in the water power on the west side of the river at Saint Anthony Falls, and believing that project would bring greater returns he spent thousands of dollars building a dam. He soon closed his office at Mineral Point and moved it to La Crosse, to be close to his lumbering schemes, placing S. L. Nevins, a relative of his wife, in charge. Although the shot tower continued to manufacture, it was not as profitable. "I think that I shall not do much at the tower this season. No time, he said, "to give it my personal attention."<sup>83</sup> His political career, too, took much time and kept him away from Mineral Point. And soon after a bid for United States senator in 1860, his military activities substituted for his political career.

The financial condition of the country contributed somewhat to the closing of the tower in 1861. The year of 1857 proved one of the best in point of shot manufacture that the tower had in its history, but in the fall of that year, it closed in what at that time was thought to be a final suspension. However, the next year it was again operating, manufacturing about half the former year's output.

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<sup>83</sup>Washburn to Woodman, May 6, 1858, Woodman Papers.

"If I could give the matter my personal attention there this summer, a business of say 10,000 sacks would be within the wants of local & Chicago & Milwaukee & ought to pay a profit of \$2,000 actual for not much outlay of capital!"<sup>84</sup>

There was, because of the panic of 1857, a scarcity of gold in the lead district, and it was with metal that the mineral could best be purchased. When the panic struck, and it found Washburn with some circulation outstanding in the Bank of Hallowell, Hallowell, Maine, he felt obligated to meet those debts and let the lead purchases go.<sup>85</sup> In consequence, the tower shipped over the Milwaukee road a little better than two hundred thousand pounds in the 1858 season. It was by dent of disappointment that he offered Woodman the tower in 1859 "free of rent," but the former partner refused.<sup>86</sup> The Civil War failed to revive the shot business or even lead mining in the southwestern counties and in May, 1861 the tower closed. Chicago by then had a successful tower, and the railroads were carrying lead to the outside for the purpose of shot manufacture. Moulded bullets, too, were coming into use. Three years later the property was sold for taxes. The buildings, in subsequent years, were torn down or moved away and used for stock barns. The village of

<sup>84</sup>Washburn to Woodman, May 6, 1858, Woodman Papers.

<sup>85</sup>Libby, "The Helena Shot Tower," in Wisconsin Historical Collections, 13: 372, 369.

<sup>86</sup>Washburn to Woodman, February 8, 1859, Woodman Papers.

Helena, under the impetus of the war and the Milwaukee road, did not long survive the tower's closing. The lots became parts of farms, and, on the tower property, the vertical shaft became a place for refuse.

There are many indications that point to the manufacture of shot as a remunerative business. The payment of the six thousand dollar principal and accompanying interest was made from the profits of the tower. On an investment of that size, the installments mark distinctively that a high rate of profit was obtained. In addition to the loan payment and the tower upkeep much new equipment was added within the first ten years of operations. The improvements increased both the quality and quantity of production and made it an item of competition with the St. Louis output. There is no evidence to support a conclusion that the enterprise lost money, for had such been the case the tower would have, as it later was, closed to operation. Soon after the dissolution of the partnership, Washburn offered a half interest in the tower to Corwith and also to Woodman at ten thousand dollars. Apparently, the partners had considered the property worth twice that amount in 1855, representing therefore an increment of fourteen thousand dollars.

The reason for the profitableness of the tower was the ability of the men to give the enterprise their attention. When the time arrived that such was not the case, as illustrated by Washburn's ownership while he pursued congressional

and other interests, the profits declined. It would be misleading to say that the tower could always produce profitable margins, for other factors changed the character of things to such a degree that it was impossible. There was, also, a constant growing demand for shot in the lake and river markets that must not be over looked. The demand furnished an impetus for increased production. The firm was likewise prudent in the choice of agents to dispose of the shot, for the lack of that sagacity wrecks many businesses.

Had the Wisconsin Shot Company obtained more capital there is a great likelihood that more profits could have been amassed. One of the secrets was to buy lead at off seasons, when the navigation had closed, while it was offered at ridiculously low prices. But the multifarious enterprises of the concern and the paucity of capital worked much against them and they had to forego the profits to buy when they found themselves in funds. But such was the reason given by all western speculators, and not the least way to remedy that situation was the creation of banks.

Meantime, while the partners were increasing the productiveness of the shot tower and were widening the field of land speculations, they became interested in mining. This was not of spontaneous growth, although it was somewhat abetted by the rage of fancy companies on the New York Board, but rather a gradual development; for in 1846 they showed

considerable interest in copper mining and even went so far as to attempt the formation of a company which met with no success. Throughout their residence at Mineral Point they had collected mineral rents for eastern men, an act which not only gained for them a stipulated fee, but know-<sup>87</sup>ledge of many productive mines in the district. From business associations they secured information of other mining operations, of how many were suspended because of the water hazard, or abandoned by men interested in gold. From these and other sources of information, as well as from observations, the partners became aware of the fact that the best mines were abandoned for the want of capital to buy machinery to rid them of water.

In 1853, while Washburn was in the East in the interest of a banking scheme, he was attracted by the number of mining companies on the New York Board. Doubtless, the gold craze of California was responsible for the interest, since many fortunes were being made there. This led people to believe all mines were profitable and furnished a means of arriving at a state of independence over night. Interestingly enough, such ideas still prevail, as witnessed by the number of gold mining stocks avidly bought by small investors today. At any rate, Washburn consulted Woodman's and it

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<sup>87</sup>Washburn and Woodman to Hasting and Knapp, June 25, 1845, Woodman Papers. The fees for collection were twenty percent of the cash received.

was generally agreed that a mining company should be formed to develop one of the abandoned mines of the Wisconsin district. Washburn sent the information to Woodman, accompanied by a copy charter, and requested him to obtain a charter from the state legislature.<sup>88</sup> Woodman acted rapidly request-<sup>89</sup>ing a charter for the Wisconsin Mining Company. The bill to incorporate the company was introduced in the Senate by Levi Sterling on February 21, 1853,<sup>90</sup> and in the Assembly on March 15, 1853.<sup>91</sup> Two weeks later the governor affixed his sig-<sup>92</sup>nature to the act, and the corporation began operation. The incorporators were Cadwallader C. Washburn, Cyrus Woodman, and Charles L. Stephenson, although Woodman informed Dunn that, if expedient, the names of Bradford and Thompson might be added.

The rapidity with which the partners obtained the charter was not duplicated in putting the corporation into execution. One source of delay was the selection of a location and the obtainment of leases. After prospecting the district, investigating old mines and talking with miners, the Madden property near Dodgeville seemed most likely of

<sup>88</sup>Washburn to Woodman, February 3, 1853, Woodman Papers.

<sup>89</sup>Woodman to Hon. Charles Dunn, February 14, 1853, Woodman Papers.

<sup>90</sup>Journal of the Senate of Wisconsin (Madison, 1853), 272.

<sup>91</sup>Journal of the Wisconsin Assembly (n. p., 1853), 520

<sup>92</sup>Private and Local Acts Passed by the Legislature of Wisconsin (Madison, 1853), 378-379.

of success, and the partners resolved to let that be the center of operations. <sup>93</sup> Throughout the remainder of 1853 and the spring of 1854, the two men spent much time and money in procuring leases on adjacent lands upon which mining had generally ceased. Collectively, however, these mines had been scenes of great activity, producing in the twenty-seven years of their existence some thirty million pounds of lead ore worth nearly a million dollars. The ore first found at or very near the surface, and soon numerous shafts were sunk to the water, but were abandoned because the miners had not the means to put into machinery for draining purposes. Although the ore above the water line was worked out, all indications pointed to a continuance of the rich veins below the water line. The corporation's proposal was that of installing a powerful pump run by steam to drain the Madden and adjoining grounds. <sup>94</sup> The theory upon which Washburn and Woodman worked, and one commonly held in the district, was that if water were found at some uniform level, all mines or shafts within a district must be connected by many openings or canals, and to drain a single mine a very large area must be drained. Consequently, to realize on a <sup>95</sup> large investment, a whole area must by necessity be leased.

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<sup>93</sup> Wisconsin Mining Company to Hon. Henry Dodge, December 16, 1854, Woodman Papers.

<sup>94</sup> Woodman to George Woodman, May 25, 1854, Woodman Papers.

<sup>95</sup> "Lead Mines in Grant County," in American Railroad Journal 29(1856); 124.

Washburn and Woodman estimated the undertaking would require a capital of fifty thousand dollars which they hoped to raise among their friends by the sale of capital stock in the Wisconsin Mining Company. The preliminary steps of obtaining the charter and location had been taken by the two men without outside aid, leaving only the procurement of funds for the mechanical devices to lift the water from the mines. Of the amount needed, the men proposed raising only one half among eastern friends, apparently desiring to so distribute the stock that no hostile group could assert control in the corporation. They seemed, it is apparent, to have the utmost faith in the endeavor. That they did not lack confidence is shown by their determination to "go it alone" despite the lack of means to commence and carry on operations in the most economical manner.<sup>96</sup>

The partners next carefully prepared for public consumption a prospectus of expressive surveys which contained the present and prospective value of the grounds, the quality of the ore, and the history of the plat. Nothing was left to the reader's imagination, and couched in the gracious language of the erudite Woodman, the pamphlet made a striking appeal. Armed with the brochure, Washburn went East to raise the allotted one half of the capital there, while

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<sup>96</sup>Woodman to George Woodman, May 25, 1854, Woodman Papers.

Woodman opened the books for local subscription. On all sides the men met with measured success. The stock sold rapidly, and the corporation set about the formality of opening books and electing officers, in the last instance selecting Washburn, president and George Woodman, of New York, secretary-treasurer. An installment on the stock was immediately called for, and by the middle of 1854 the corporation laid plans for the purchase of machinery. The firm of Washburn and Woodman gave over their investment in the project in return for capital stock, while others contributed money.

The corporation placed the management of the mine at Dodgeville in the hands of George Messersmith, a practical mechanic, charging him specifically with the installation of the machinery. The arrival of the equipment marked a new era in large scale mining, in the words of local newspapers, which could only have a favorable aspect upon subsequent operations in the districts. The work proceeded somewhat slowly, for it was not until the last of November, 1854 that the corporation began pumping and cutting down the main shaft. <sup>97</sup> By the first of the year it was expected over one hundred miners would be digging on the ground, and Woodman expressed the hope that the royalties would meet

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<sup>97</sup>Woodman to John H. Roundtrees, November 24, 1854, Woodman Papers; Mineral Point Tribune, October 18, 1854.

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current expenses.

The installation and successful test of the pumping equipment announced the time for the miners to seek leases on the company's holdings. What the miners obtained was a sub lease, for the Wisconsin Mining Company had previously secured leases on all property within the large area in which they were operating. In taking a sub-lease from the corporation, the miner agreed to pay ground rent and to turn over one fifth the mineral raised as operating costs. From a combination of ground rents and royalties, the mining company hoped to pay dividends, taxes, and such expenses that came with maintenance of equipment. The corporation's part of the bargain was only that of keeping the openings free of water, for without that accomplishment no benefits could accrue to the company. The company had not long to wait for leasees, for scarcely had the pump been installed than some sixty men applied for the privilege of working the ground.

Difficulty with finances constantly confronted the infant company. The stockholders had been chosen too well rather than wisely, for they seemed reluctant to pay the installments on the capital stock as required. More than

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<sup>98</sup>Woodman to George Woodman, December 24, 1854, Woodman Papers.

<sup>99</sup>Wisconsin Mining Company to George Woodman, December 12, 1854, Woodman Papers.

likely, they believed the facts of the brochure which intimated the rich ore could be raised with a minimum of efforts and funds. At any rate, the two partners advanced sums from time to time, and then cautiously drew on the treasurer for repayment. The prospects for success at the close of 1854 led President Washburn to make a call for another twenty percent, intimating that "if any of the shareholders do not care to pay up further. . . give stock to them so far as they have paid, and we will pay up the balance. . . ." <sup>100</sup> By the summer of 1855, after the ore had given out weeks previously, Washburn's own advances to the corporation amounted to five thousand dollars. <sup>101</sup> In the spring of the following year, the New York stockholders agreed to raise twenty-five hundred dollars to carry on the project, this time to a successful conclusion. <sup>102</sup>

The results of the venture proved disheartening. The slow operating pump soon had lifted sufficient water to permit mining operations, but within a few days the mineral suddenly gave out. Only some fifty to sixty thousand pounds <sup>103</sup> were raised, when the fact was discovered. It was then believed that if the pump shaft were sunk deeper so more water could be raised operations could again be renewed; but

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<sup>100</sup>Op. cit.

<sup>101</sup>Ibid., August 26, 1855.

<sup>102</sup>Ibid., April 10, 1856.

<sup>103</sup>Ibid., August 26, 1855.

bars of rock held up the passage of water and prevented it from reaching the pump. The two men, however, never once gave up hope, and firmly believed mineral of high quality existed there, although they expressed the belief that five to ten thousand would be needed to lower the shaft enough to permit working the diggings advantageously. <sup>104</sup> But at the end of 1855, a year after hopeful beginnings, the mine gave out. The next spring the New York stockholders granted twenty-five hundred to attempt once more to get at the mineral, but once more the corporation failed. The project needed only the panic of 1857 to kill it permanently. The machinery was soon moved away. In the early part of 1860, Washburn used some of it in the Waubeek mill at Beef Slough, and the mine, as the shot tower, became a place for refuse. <sup>105</sup>

The Wisconsin Mining Company represented a financial loss for Washburn. Rather than wait for stockholders' installments, he advanced sums from his own funds to continue the work. The reason for such action does not lie too deeply hidden; rather it is found in the frequency with which the name Washburn appeared on the list of stockholders and naturally Washburn used all means possible to save the in-

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<sup>104</sup>Woodman to E. W. Farley, November 1, 1855; Woodman to George Woodman, November 12, 1855, Woodman Papers.

<sup>105</sup>Woodman to George Messersmith, February 6, 1860, Woodman Papers.

vestment.<sup>106</sup> Woodman, strangely enough, held no stock outside the shares held jointly with his partner, and which fell to the latter upon dissolution of the firm, although he frequently expressed confidence in the project. Consequently, he lost nothing. It was the only mining adventure of Washburn, although he thought of starting a similar project at Mineral Point.<sup>107</sup> The iron in Sauk County, on the Baraboo Range, a section of which he owned, was of inconsiderate value to him, and he disposed of this land in 1849.<sup>108</sup> The disestablishment of his office at Mineral Point closed his mining career. He never again took it up.

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<sup>106</sup>Wisconsin Mining Company to George Woodman, December 12, 1854, Woodman Papers. Some of the stockholders were: A. S. Washburne, E. B. Washburne, C. C. Washburn, Washburn and Woodman, C. L. Stephenson, George Woodman of New York, E. B. Farley of Bangor, Maine, J. B. Merrick of Thorndike, Mass., Henry Dodge, and two men by the names of Murray and Rioque.

<sup>107</sup>Washburn to Woodman, March 27, 1856, Woodman Papers.

<sup>108</sup>Gregory, Southwestern Wisconsin, 4: 1214.

## CHAPTER IV

## BANKING

At no time was there an abundance of money or credit in the early days of Wisconsin history. The hundreds of settlers swarming across the borders from eastern states and foreign shores required more money for the exploitation of the natural resources than the territory had to offer. Money brought high interest rates, and to fulfill the demand private bankers turned eastward for the commodity. Concerns with credit in New York or New England profited handsomely, for eastern bankers, greedy with the thoughts of a wide and large circulation, loaned money without interest to create a market for notes. Some bankers in the older parts of the Northwest sold currency at ninety or ninety-three cents in gold,<sup>1</sup> and when such notes appeared in large amounts for redemption frequently closed their institutions, thus rendering the currency worthless. But despite the none too infrequent closings, many of these establishments became sources of profit for individual bankers of which the refusal of payment was not the least. The more generally accepted source was the redemption of notes at a substantial discount, a practice which remained until well past the middle nineteenth century. The broker or banker who originally bought the

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<sup>1</sup>Wisconsin Daily Democrat (Madison), May 7, 1855.

notes often paid them out for produce, and it was commonly recounted that in an effort to recover them below par secretly created a local panic.<sup>2</sup> By such insidious transactions he received a three-way profit: the purchase of foreign circulating notes at a discount and tendering them at par for produce, by discount on the repurchased notes, and by profit on the produce. The system did become a target for reformers, but the need for some sort of a circulating medium seemed to hinder any territory wide crusade until about the time of statehood. The settler never held paper currency long anyway, and if he could force the discounted bills upon the creditor at par, the security of the note was of little consequence to him.

But in the mining district of Wisconsin and Illinois, where a large number of Cornish miners were accustomed only to "hard" money, a somewhat different idea prevailed. Being ignorant of the value of American money, possibly because of their recent emigration from England, they clung to the English sovereign as a medium of exchange. Leading lead buyers of the mining district, as a means of additional profit, purchased sovereigns on the New York market at \$4.83 to \$4.85 and paid them out at \$4.90 until that figure became the standard price for the English coin in the district. Somehow,

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<sup>2</sup>Op. cit.

these Cornish could not be drawn into transactions in which paper was the medium. More than likely their unpleasant attitude dated back some years previous when a bank in Mineral Point failed and an absconding bank staff left hundreds of dollars of unredeemed bills among them.<sup>3</sup>

One of the more powerful banking institutions of the early period was the Wisconsin Marine and Fire Insurance Company, which, by a careless wording of a charter, issued certificates of deposits to the amount of a million and a half dollars contrary to the wishes of the territorial legislators.<sup>4</sup> Congress, in 1836, had prohibited territorial legislatures from conferring banking privileges, but the wily organizers of the Wisconsin Marine and Fire had so disguised the business that in 1839 it began to issue the certificates. The only security was the promise to pay in specie upon presentation. The territorial legislature registered disapproval by repealing the charter, but the company stoutly maintained such action was beyond constitutional rights. With legislative hands tied, anti-bank men, largely located in the mining district, began an active campaign against the company. People refused to accept certificates. Groups of bankers stored up large sums and then suddenly descended upon the Milwaukee office. All tricks to close the

<sup>3</sup>Clarence B. Hadden, "History of Early Banking in Wisconsin," in Wisconsin Academy of Sciences, Letters, and Arts, 10(1894-1895): 168-174.

<sup>4</sup>Wisconsin Argus (Madison), February 4, 1852.

company failed. The company had too great a hold on the financial affairs of the territory and too great a specie reserve. It, therefore, exercised a virtual monopoly and rode rough shod over all opponents.<sup>5</sup>

The experience with the Wisconsin Marine led the framers of the state constitution, accepted in 1848, to deny the state legislature the right to charter any bank until after the citizens had acted upon a bank referendum.<sup>6</sup> Accordingly, in the fall of 1851, mostly under pressure from eastern county assemblymen, the people voted upon and accepted a referendum on such a law by a 31,289 to 9,126 vote.<sup>7</sup> The following January, the legislature began the tedious work of drafting a banking law. Since the New York law was considered stronger than any in the Northwest, the committee drew freely from it.

The resulting law purposely protected the currency holder from the evils present since the earliest days in the territory. To give all currency a more or less staple value, the law required that all paper issued by state chartered banks be based on New York listed and marketable state bonds the interest rate of which did not exceed six per cent.

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<sup>5</sup>Op. cit., February 10, 1852.

<sup>6</sup>Frederic L. Paxson, History of the American Frontier 1763-1893 (Boston, 1924), 400.

<sup>7</sup>The Banking Laws of the State of Wisconsin, with an Appendix (Madison, 1858), 4.

Railroad bonds were acceptable up to fifty per cent of the par value provided they were of Wisconsin roads. As additional security, the law required stockholders to furnish a bond for one-fourth the amount of the circulation. To allow for small silver pieces of United States to flow in the state no bill of a denomination less than one dollar could be issued, and all paper of whatever denomination must be paid out and redeemed at the home office. The last provision cut off speculation in a foreign state with money designated to facilitate credit in Wisconsin. The law governed the size of institutions by setting the capital stock at not less than twenty-five thousand nor more than five hundred thousand dollars, but did not require it to be paid in. For administering the act, a small tax on the capital stock was levied. To retain control over all charters, the legislature reserved the right to refuse and recall any or all charters. After much discussion both houses approved the bill April 19, 1852 and in the following November the people accepted it 32,826 to 8,711.<sup>8</sup> In January, 1853 the legislature organized the department which granted the first charter to the State Bank of Madison on January 25, 1853.<sup>9</sup>

<sup>8</sup>Daily Argus and Democrat (Madison), December 1, 1852. The vote of the southwestern counties, the seat of the Washburn and Woodman operations, was Iowa 158 for and 676 against, Grant 464 to 2178, Crawford 47 to 112, Green 691 to 800, La Fayette 162 to 896, and Richland 100 to 162. It is well to mention also that Governor Farwell requested Washburn to come to Madison and aid in the framing of the law.

<sup>9</sup>Annual Report of the Bank Comptroller of the State of Wisconsin for the Year 1854 (Madison, 1855), 5.

Banking associations very slowly came into existence. By January 31, 1854, the number reached twelve and the outstanding circulating notes \$593,066. At the end of the second year the currency reached \$939,592.<sup>10</sup> Currency grew slower than the actual needs of the state, and because of the inadequate supply of Wisconsin notes, foreign bill still filled the state's trade channels. Primarily, the paper of Illinois, Indiana, and Georgia, the latter considered the poorest and which tended to control the Wisconsin market in 1854 and 1855, became current funds. The poorer currency tended to drive Wisconsin notes into hiding, and the shrinkage of the paper became a cause for public discussion and debate by all economic groups. Thus, the chief complaint was the low supply of sound notes coupled with the foisting of depreciated foreign issues on an unwilling populace by brokers and bankers interested not in sound money but in large profits.

The question of depreciated currency was no new problem. It had faced the settlers of each new frontier in the Middle West. "Shinplasters" were known before Wisconsin became a territory, but all economic groups, especially farmers and miners, had fervently hoped the new banking law<sup>11</sup> would serve to break the dependence upon foreign issues.

<sup>10</sup>Op. cit., The comptroller wrote that Wisconsin needed at least \$4,000,000.

<sup>11</sup>Daily State Journal (Madison), October 27, 1854.

But such, however, was not the case. Merchants and bankers together entered into a business relationship with foreign bankers to pay out the depreciated currency.<sup>12</sup> The farming populace still received foreign paper, but as more creditors refused the money, the agrarian interests began to complain of the shortcomings of the act. Certain individuals, preparing for old age by hoarding, aided the circulation of depreciated currency by saving the sounder notes and putting the other ones rapidly into the commercial channels. The action of these people thus created a vacuum into which outside paper quickly flowed. This group, therefore, became targets for attack by the sound money forces.

The constant stream of complaints gave rise to suggestions for controlling the distribution of foreign money. Certain advocates recommended making banks responsible for the redemption of all notes paid out.<sup>13</sup> Others suggested the relaxation of the stringent banking law. By this method it was hoped, since banks were organized for profit, more institutions would incorporate and hence more notes would be issued. The fallacy in this argument proved to be the cheapening of Wisconsin notes until they became no less secure than the "foreign rags."<sup>14</sup> The advocates of the plan, however,

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<sup>12</sup>Op. cit.

<sup>13</sup>Daily Argus and Democrat, October 28, 1854; Mineral Point Tribune, September 27, 1854 quoting the Milwaukee Free Democrat.

<sup>14</sup>Ibid., May 4, 1855; Daily State Journal, February 14, 1855.

would rely upon the Madison press with its connections to keep the public in the more remote sections informed "of the different State Stocks received as Banking Securities."<sup>15</sup> But under such a system bankers, certain of the security of their own notes, would store them, and pay out the other currency rather than face the probability of loss through failure. The residents of western Wisconsin took an active stand against the circulation of unstable notes. The Cornish refused anything but the English sovereign, while denizens of the district openly agreed to accept only gold and silver for their products.<sup>16</sup> In 1855, when George Smith's Georgia currency was flooding the state, it was the southwestern section which organized forces to drive it out.

The animosity registered by all classes forced the legislature to take some action against the introduction and spread of foreign bills. In 1855 a bill was introduced in the legislature to make both brokers and bankers liable for all foreign notes paid out by them, but it failed to gain any great support. In the same year the Wisconsin lawmaking body sought to reduce the circulation of Georgia wildcat, at the time when it was flooding the state trade channels, by memorializing the Georgia legislature to require more security for currency issues.<sup>17</sup> The memorial had no effect,

<sup>15</sup>Mineral Point Tribune, May 11, 1854, quoting the Appleton Crescent.

<sup>16</sup>Daily Argus and Democrat, May 4, 1853, quoting the Buffalo Express.

<sup>17</sup>Daily Argus and Democrat, January 19, 1855.

and George Smith, the perpetrator of the "currency crime" continued to harass Wisconsin bankers. No concern escaped, and when Washburn entered the field his greatest antagonist was Smith.

The business of Washburn and Woodman grew faster than the available amount of credit and money at their disposal. Little of the cheap eastern and northwestern paper, the value of which could not be instantly ascertained by the numerous guides and reports of solvent banks, fell into the hands of the partners. The firm did, however, obtain an agency from the Connecticut River Bank for the distribution of notes without interest, but found the rate of exchange on eastern cities at such a premium that the margin of profit from a transaction in the paper too small for a risk-taking.<sup>18</sup> They did not, however, upon discovery of the fact, forfeit the agency, but operated it until other sources were established. They were able to borrow heavily from friends and banks in the East,<sup>19</sup> noticeably in Boston, where Woodman had acquaintances among the old stockholders of the Boston and Western Land Company, and Washburn a brother in business. Profitable financial relations were also made by Washburn with banks at Hallowell, Maine where he spent some of his youth and where his old employers lived. The prompt payment of interest en-

<sup>18</sup>Woodman to Henry Hubbard, December 27, 1848, Woodman Papers.

<sup>19</sup>Washburn to Woodman, December 4, 1849, December 17, 1849, Woodman Papers.

hanced the firm's reputation, and eastern speculators allowed the partners ample drawing accounts for joint speculation, and naturally a division of profits.<sup>20</sup> All of these sources, however, proved inadequate for long term operations. Eastern speculators frequently called in the principal and the profits from joint speculative accounts, much to the embarrassment of the loaning agency, thus sending them to seek new ones or more loans at unprecedented interest rates. Most of the latter was call money expiring in ninety days and usually difficult to pay back when the proceeds were in non-fluid funds.

The sale of lead by local merchants provided the eastern exchange demanded by the lenders, but the premium on New York or Boston sight drafts was so high that the firm frequently delayed the remittance. Insistence for rendition of accounts then often brought a St. Louis or New Orleans acceptance, since the drafts of those cities were more current in the region. In short, the concern used every legal device to retard payment, and carried on an extensive correspondence with clients to show interest in their business.

The uncertain sources of eastern credit led the partners to find some way to supplement it. Moreover, they were planning a larger scale of operation which, if whole

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<sup>20</sup>Op. cit., December 28, 1849; Washburn to A. Leonard, April 27, 1849, Woodman Papers.

heartedly entered, would outstrip any of their former undertakings. The most likely fountain of credit was a banking arrangement of some sort, for eastern money was frequently used in the West. The process of establishing a bank outside of New York appeared a simple one, for a promissory note might lawfully be used to purchase stock. As a reward for engaging in the enterprise, circulating notes were passed over to the investor with the instructions to maintain a gold reserve fund for their redemption. In order to secure a specie reserve, the most generally accepted form was to convert circulating paper or a promissory note into gold. The laws in New England were not stringent enough to forbid organizers from giving a promissory note for both the capital stock and additional funds for use in speculative enterprises. Thus, a bank established under such conditions cost nothing, and seemingly stood in no way to lose. The releasing of the money in the more remote sections of the nation usually allowed ample time for a stockholder to seek redemption funds.<sup>21</sup>

After studying the banking laws of the several New England states and conversing with people acquainted with eastern banking, the firm felt that J. B. Merrick, of

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<sup>21</sup> Charles A. Conant, A History of Modern Banks of Issue (New York, 1896), 4, 311.

Thorndike, Massachusetts could best obtain a charter for a bank of issue in his state. Merrick agreed to furnish the services provided he could become a partner in the enterprise. He had by now become a large investor in western lands, and jumped at the chance to obtain additional funds by means of a bank. The accord between the three men called for a joint investment of thirty thousand dollars, a sufficient sum to control the institution, each man receiving a like amount of circulatory notes, but each issue designated by a distinguishing mark. This special feature Merrick believed necessary to allow each man to care for his own circulation and not let it be borne by one man alone. In the early part of 1850, Merrick began negotiations for the bank at Jaffery, and Washburn journeyed East to aid him. In the meantime, Woodman carefully explained to Merrick the possibilities for success of a concern with substantial credit facilities when money, in the West, demanded twenty-<sup>23</sup> five percent on ample security. To Washburn, he wrote that the anticipated profits for the partnership would certainly near the five thousand dollar mark if an eastern financial<sup>24</sup> institution could be established.

Despite the combined work of both Merrick and Washburn, however, the group failed to get control of the Jaffrey Bank.

<sup>23</sup> Washburn and Woodman to J. B. Merrick, December 20, 1850, Woodman Papers.

<sup>24</sup> Woodman to Washburn, January 26, 1851, Woodman Papers.

Although the Mineral Point firm expressed an earnest interest in it, the eastern incorporators were not at all anxious to see the major control of the capital stock in western hands. In the meantime, Washburn attempted to secure charter rights for a bank in Vermont but that, too<sup>25</sup> proved unsatisfactory. Discouraged, Washburn returned to Mineral Point.

The firm still persisted with the plans for an eastern bank. Not long after Washburn's return from the Merrick conference, he learned that a relative of his mother proposed to establish a banking institution at Winthrop, Maine. Upon learning the amount of the capital stock and that the governor<sup>26</sup> approved the charter, Washburn again turned eastward. Once<sup>27</sup> more Woodman corresponded with eastern investors, and Washburn called upon Merrick to endorse the concern's paper of five<sup>28</sup> thousand dollars for thirty days. But this project failed. The eastern incorporators concluded not to sell out control<sup>29</sup> to the western firm.

<sup>25</sup> Washburn and Woodman to J. B. Merrick, April 12, 1850; Washburn and Woodman to Henry Hubbard, Jr., April 20, 1850, Woodman Papers.

<sup>26</sup> Acts and Resolves Passed by the Thirty-First Legislature of the State of Maine, A.D. 1852 (Augusta, Maine, 1852), Chapter 470. The capital stock was \$50,000. The governor approved the charter February 7, 1852.

<sup>27</sup> Woodman to George Woodman, February 22, 1852; Woodman to Ephriam Flint, February 17, 1852; Washburn to Daniel Thompson, February 17, 1852, Woodman Papers.

<sup>28</sup> Washburn to J. B. Merrick, February 13, 1852, Washburn Papers.

<sup>29</sup> Woodman to E.B. Washburne, April 20, 1852, Woodman Papers.

Washburn realized on the fourth attempt to establish an eastern bank. While in the East in the interest of the Winthrop bank, in 1852, he made a hasty trip to Livermore to visit his parents. Journeying among old acquaintances in Maine, he learned that a charter for a bank at Hallowell was about to be given up. Immediately, he contacted and interested a friend, Artemas Leonard, merchant and banker, to the project and induced him to sponsor the continuation of the charter. Successful in soliciting Leonard's aid and sponsorship, Washburn dispatched the cheerful news to Woodman who immediately informed parties interested in and willing to support the project.<sup>30</sup>

From the outset, all banking projects seemed too large for the partners to handle, consequently, they sought outside aid. Merrick had agreed to assist in the Jaffrey project, and Henry Hubbard showed a willingness to aid in the Vermont undertaking. When these two projects failed, Washburn called upon his brother, Elihu Washburne, to contact Corwith and Company, Galena bankers, and Congressman Israel Washburn for help in the Maine bank undertaking. The two brothers entreated Sidney Washburne to forsake his merchandising house and go to Hallowell in the interest of the institution. The experience with other attempts convinced Washburn that interference by westerners would spoil its chances of

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<sup>30</sup> Op. cit.

success, therefore, he sought the aid of his brother, Israel. "If he would leave his seat," he wrote to Elihu, "for a couple of weeks in Congress & go down to Augusta I think he could do the business & for that service he must be paid."<sup>31</sup> Israel showed no interest in the matter, remaining at Washington deeply engrossed in politics.

Elihu Washburne became the intermediary through which Washburn and Woodman hoped to interest Corwith and Company. The Galena concern had the largest banking house north of St. Louis and frequently loaned money to the Mineral Point partnership on short time. Knowing the integrity of the concern they showed a large amount of interest, and could see in it the prospect of enlarging operations eastward towards Chicago, which they considered the coming city. Upon learning of Corwith's interest, Elihu immediately conveyed the information to Washburn who outlined the conditions of a banking partnership. The capital stock, Washburn proposed, should be equally divided between the two concerns, each actually paying specie in proportion to the amount of stock purchased. The circulatory notes were then to be divided on the basis of stock shares, redeemable at the home office, Galena, and Mineral Point at an agreed discount, to eliminate the chances of bankrupting one another.<sup>32</sup> Corwith and Company

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<sup>31</sup>Washburn to E.B. Washburne, November 11, 1851, Washburn Papers.

<sup>32</sup>Washburn to N. Corwith and Company, November 29, 1851, Woodman Papers.

did not accept the offer, though they remained friendly with the Mineral Point concern, extending credit to the amount of six thousand dollars for the completion of the project, and subsequently paid out the notes at par.<sup>33</sup>

Nevertheless, Washburn turned his attention to the Hallowell bank the charter of which had been approved by the governor.<sup>34</sup> He sent Sidney Washburne as an advance agent into the village to ascertain the intentions of the petitioners, and to create public good will, while he spent time in Boston and New York seeking financial aid for the project. When Washburn appeared at Hallowell he learned how well Sidney had performed his function. Sidney ingratiated himself with the townspeople by rolling ten pins on the green with prominent villagers, and in casual conversation tested the feelings of the people. Upon arrival, Washburn went into conference with Leonard from whom he had originally learned of the charter. The conference resulted in the assurance that Leonard would lend his support to the purchase by the western men. Meanwhile, Sidney Washburne had not won Henry W. Paine, one of the petitioners, to the project, which necessitated a parley with him. After explaining his intention of conducting the enterprise in the public's interest, and agreeing to give him a position on the board, Washburn was able to convince Paine of the soundness and profit in

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<sup>33</sup>Op. cit., March 4, 1852.

<sup>34</sup>Maine Statutes, Laws of 1852, chapter 518.

the institution and thereby secured his aid in further con-  
 tacting the other incorporators.<sup>35</sup>

No sooner had the brothers left the conference with Paine than the whole village knew the purpose of Washburn's visit. The people had no intention of seeing the proposed bank fall into the hands of a western company for speculative purposes, thus bestowing no benefits upon them, and began to agitate for a withdrawal of the charter. As the opposition increased, Washburn asked Leonard to make public announcement of his interest in the new bank, and the intention to make it a local project. Leonard, thereupon, declared he had purchased ten thousand dollars in stock of the proposed Bank of Hallowell; secretly, however, Washburn agreed to take over the shares. With the view of further satisfying the people of Hallowell, Washburn approached David Benjamin and Dorilius Morrison, relatives, and enlisted their aid with the same secret proposal. These declarations allayed much public antagonism, but the sentiment never completely died away.<sup>36</sup>

The agreements with Paine, Leonard, and others only partially completed the work. Washburn had left the duty of contacting the other incorporators to Paine who soon re-

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<sup>35</sup> Washburn to Woodman, May 8, 1852, Woodman Papers. Paine was a member of the Maine legislature and interested in shipping.

<sup>36</sup> Ibid.

ported that he was unable to secure the support of a strong minority led by Henry Reed and Rufus Page. Indeed, the minority offered such convincing arguments that Paine thought of relinquishing his support to the project. Upon inquiry, Washburn learned that both men were partners in western speculation, and that Page had recently received a grant from the state of Indiana of exclusive navigation on the White River for twenty years.<sup>37</sup> Already he had begun the building of boats at Indianapolis, but was apparently running short of funds. Armed with this knowledge, Washburn approached Reed and Page convincing them of the necessity of the bank to finance their undertaking. Both men capitulated and agreed not only to allow Washburn to go ahead with the plans of reviving the charter, but to take a substantial amount of stock as well. The notice of the intent to incorporate was thus duly filed, and after the legal seven days of waiting, during which all the original incorporators might purchase stock or assign interests, the sale was thrown open to the public and quickly taken by the Washburn group. In the interim of the seven days, in order not to appear too anxious,<sup>38</sup> Washburn absented himself from Hallowell.

<sup>37</sup> Special and Local Acts of the State of Indiana, Passed at the Thirty-sixth Session of the General Assembly (Indianapolis, 1852), Chapter 65. The act of incorporation for the White River Navigation Company was approved February 13, 1851. The amendatory act gave a thirty year grant under restricted conditions.

<sup>38</sup> Washburn to Woodman, May 8, 1852, Woodman Papers.

When the stock of the Bank of Hallowell was thrown open to public subscription, Washburn took thirty-one thousand dollars under the names of Elihu Washburne, Artemas Leonard, A. S. Washburne, David Benjamin and Dorilius Morrison. This was sufficient to give him control of the enterprise. Page, of the White River Company, subscribed to fifteen thousand dollars<sup>39</sup> while other local residents took the remainder, Washburn agreeing, however, to take over the same if not paid in.<sup>40</sup> The stockholders elected Leonard, president; Sidney Washburne, cashier; and Reed, Benjamin, Page, and Ambrose Merrill, directors.<sup>41</sup>

At the inception of the banking plan, Woodman had shown strong favor for it. Although he had faithfully and exertively conducted extensive correspondence to further the scheme, he had upon certain occasions expressed relief at the failure of former projects.<sup>42</sup> He now showed open disapproval, fearing that the Maine project might turn into a liability. "I don't know whether," he wrote to E.B. Washburne, "to be glad or sorry that his [Washburn's] prospects for putting the bank in motion are growing brighter. For a concern without any capital to undertake to manage a bank

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<sup>39</sup>Op. cit.

<sup>40</sup>Washburn to A.S. Washburne, June 18, 1852, Washburn Papers

<sup>41</sup>Annual Report of the Bank Commissioner, 1853 (Augusta, 1853), 11.

<sup>42</sup>Woodman to Washburn, January 26, 1851, Woodman Papers.

seems to be rather [risky] business. This being up to one's ears and [in] debt and having to stand constantly on tiptoe to keep one's head out of water does not agree with my constitution. I had rather make less money and take a little more comfort for the few days I live in this world."<sup>43</sup> Two months later he wrote his brother, "Mr. Washburn has informed you that I do not take hold of the Hallowell bank with him. My reason for doing so is not from a want of confidence in its success. My main reason was that I do not want the care of it on my mind; besides Mr. Washburn had started it by his own energy and perseverance and I felt willing that he should have the benefit of it. I believe it is working thus far, to his entire satisfaction."<sup>44</sup>

Curiously, at the outset Washburn never believed one bank sufficient for his purpose. He envisaged the establishment of a chain, with banking institutions located in different places, and felt that each new office would give a degree of stability to the others. The benefits derived from the creation of a banking chain were not few in number. One of the greatest was the ability to stop a run by carrying the currency from one to the other. They also provided places of redemption and paying agencies for the paper from the

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<sup>43</sup>Woodman to Elihu Washburne, May 11, 1852, Woodman Papers.

<sup>44</sup>Woodman to George Woodman, July 19, 1852, Woodman Papers.

various banks. The notes were generally paid out at a distant station, and allowed to work their way back home slowly, or to suffer redemption locally at a discount. The Wisconsin Marine and Fire Company and the ingenuous George Smith had established and successfully operated a colossus<sup>45</sup> of this type in states where lax banking laws existed. Perhaps from them, Washburn got the inspiration. At any rate, he decided it worth trying.

Upon returning home, Washburn turned his attention to establishing a western complement of the eastern institution. It was first believed that Mineral Point, being the seat of the firm's enterprises, would be a suitable location for a banking office, but the lead district was no longer the leading speculating section of the state. In 1853, the government opened new land offices at La Crosse and Stevens Point, which cut tremendously into the firm's business, but allowed more lucrative investments. Milwaukee and Chicago, increasing rapidly in population, became gateways to the fertile lands of the West, and railroad facilities gradually grew and extended westward from these places. By the early 1850's, Washburn believed that Chicago offered better banking opportunities than the present seat of the firm's operations.

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<sup>45</sup>Industrial Chicago (Goodspeed Publishing Company, 6 vols., Chicago, 1891-1896), 4: 172-173; A. T. Andreas, History of Chicago (3 vols., 1884-1886), 1: 532-553.

Chicago's rapid development began in the 1830's, and the accompanying speculation found the town greatly in need of capital. Great opportunities for profit-taking drew many bankers, mostly easterners, who invested wisely and successfully built up large fortunes. As Chicago grew in population the real estate values increased offering more<sup>46</sup> places for loans than the more static communities. With

<sup>46</sup> Andreas, History of Chicago, 1: 183.

Year	Property valuation	Population	Census
1843	\$1,441,314	7,580	city
1844	2,763,281	8,000	estimate
1845	3,065,022	12,088	state
1846	4,521,656	14,169	city
1847	5,849,170	16,859	city
1848	6,300,440	20,023	city
1849	6,676,684	23,047	city
1850	7,220,249	28,269	city
1851	8,526,717	34,000	estimate
1852	10,461,714	38,734	city
1853	16,841,831	60,662	city
1854	24,392,239	65,872	city
1855	26,992,893	80,023	state
1856	36,335,281	84,113	city
1857	35,991,732	93,000	estimate

In comparison, the lead district offered lesser opportunities. The small population growth is noted in the following statistics:

	1850	1855
Iowa County	9,525	15,205
Green "	8,566	14,827
Crawford "	2,498	3,323
Grant "	16,169	23,170
Mineral Point City	2,584	2,328

The Seventh Census of the United States: 1850 (Washington, 1853), 917. Annual Report of the Secretary of the State of Wisconsin for the Year 1855 (Madison, 1856), 64-77.

loans coming in from the East, the demand for eastern exchange increased offering a handsome profit for any person able to furnish it on a reliable New York or Boston house. High rates of exchange showed the paucity of acceptable amounts, and it was not at all uncommon, even at the half century mark, to find merchants and brokers securing sight drafts from Galena or St. Louis sources. Since 1841, an agricultural surplus which had developed in the hinterland began to seek an eastern outlet through Chicago. Merchants forwarded it to the East, and in return became wholesalers for large eastern houses. Chicago then began to grow, and as the wheat and wholesale trade expanded transportation facilities pushed out in all directions to tap the rich back country that "beckoned enticingly to seekers of fortune who trekked to the city in greater number than before." Canal construction seemed to lead the way in furnishing facilities to the hinterland; but when the Galena and Chicago Union Railroad, furthered by the Rockford convention of 1846, built between Chicago and Elgin in 1850, the age of rail construction had begun. In 1852, the first through train from the East reached the city. McCormick was manufacturing his reaper in 1847, and the basis of the packing business was being formulated. By 1850, the Board of Trade was legally

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<sup>47</sup> Bessie Louise Pierce, A History of Chicago (New York, 1937), 152.

<sup>48</sup> Ibid., 152; Andreas, History of Chicago, 1: 555-576.

incorporated and some years before had instituted a system of grading and inspecting wheat.<sup>49</sup> Provision industries grew rapidly. Huge elevators were constructed, so by the time Washburn thought of Chicago as a seat of a bank the opportunities had increased multifold from the time of his disembarkment there some years previous. The increasing population enlarged the local market and provided a universal labor supply to aid in the production of goods that were needed to supply the demands of the city and country. Capital was scarce in such a rapid growing center and profits large. Usury laws had almost no significance; and because Chicago had no banking institutions of size to cope with the problem, many bankers went there. These established private banks, perhaps more suitably known as brokerage houses, sold foreign bank notes, loaned money, and in short conducted a banking business except for the issuance of banking notes. George Smith's Wisconsin Marine and Fire Insurance Company was among those which operated in the city. Most of the foreign notes, paid out by the brokers, passed at a discount with the possible exception of Smith's which frequently demanded a premium. With the opportunities Chicago offered, Washburn had rather solidly set himself to move there and operate a banking establishment.

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<sup>49</sup>Op. cit., 1: 581-583.

Elihu B. Washburne shared Washburn's interest in Chicago. He had been one of the persons interested in the completion of the Galena and Chicago Union Railway and had business associates in that city. It is quite likely that save for his constituents he would have gone there to reside, as he later did upon his retirement from public life at the close of the Grant administration. "I note what you say about going to Chicago," he wrote Washburn, "and I beg leave to say I think it would be an admirable move for you. I am convinced that Chicago is going to be the great city of the entire West, St. Louis not excepted and now is the time to go there. I think you can now make more money in C. [in] one year than you can in M. P. in five." <sup>50</sup> "M. Point," he wrote on another occasion, "is a one horse town anyway, and always will be and the sooner you leave it for a place where <sup>51</sup> there is some scope for a man the better."

Somewhat fortified by the opinions of his brother, Washburn began to give serious consideration to a change in location. Any such immediate action was complicated by Woodman who did not take kindly to the banking proposal, yet was one that constantly complained of lack of capital. The risks and care it involved were not worth the price, and since he saw a profitable business in western Wisconsin he could not understand why expansion into the city was neces-

<sup>50</sup>Elihu B. Washburne to Washburn, December 31, 1852, Washburn Papers.

<sup>51</sup>Ibid., July 14, 1852.

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 sary. When Washburn found that he was unable to interest him, he saw dissolution of the firm as the only possible way for him to constitute his banking design. He, therefore, took the only course open to him.

"The more I think and talk about going to Chicago," he wrote, "the more I am inclined to go, but knowing your unwillingness to risks, I fear that you will not be inclined to have me go there & still keep our business connections. If you were so inclined to that, (but I hope you will) will you buy me out, & how much will you give me & let me step out clear of the concern your paying me \$1000 per month until the amount is paid. [?] I hope to get our bank stock, bank of Hallowell, increased to \$100,000 & so far as my connection with it is concerned, Chicago is a good place."<sup>53</sup>

Woodman, in answer to the request, quite purposefully underestimated the value of the concern to keep the partnership alive. Next, Washburn proposed a new course and twenty days later informed Woodman that he now felt inclined to leave him there to head a bank at Mineral Point while he turned to Chicago where he could loan at ample interest rates all the money Hallowell might send westward.<sup>54</sup> Even such a propo-

<sup>52</sup>Woodman to George Woodman, July 19, 1852, Woodman Papers.

<sup>53</sup>Washburn to Woodman, February 3, 1853, Woodman Papers. The capital stock was increased to \$100,000. Annual Report of the Bank Commissioner, 1853 (Augusta, 1853), 11.

sition lacked appeal; and Woodman, in return, acquainted Washburn with his desire for the position of receiver in the land office, mentioning casually the wish to see the partnership continue. This action gave Washburn another opportunity to ask for an estimate of the worth of the partnership under the guise that the two jobs were incompatible with public interests, and even strongly hinted at dissolution rather than to allow such a brazen violation of public trust.<sup>55</sup> It is very doubtful if Woodman fully intended to seek the nomination as receiver, for his correspondence shows no letters in his behalf, but that he used the opportunity as a ruse to retain the partnership, knowing the value of Washburn's financial ability. At any rate, with the possibilities of the land office decreasing daily, Woodman informed his partner that "in case I am not appointed I now feel that I should be willing to have a bank started here and let you go to Chicago, as you wish, the firm of course, still continuing."<sup>56</sup>

With this assurance, Washburn went ahead with the plans. He carefully studied the Illinois Banking Act of 1851,<sup>57</sup> which had very noticeably changed the banking laws of

<sup>54</sup>Washburn to Woodman, February 20, 1853, Woodman Papers.

<sup>55</sup>Ibid., February 23, 1853.

<sup>56</sup>Ibid., March 9, 1853.

<sup>57</sup>The law was passed in the early part of 1851. General Laws of the State of Illinois passed by the Seventh General Assembly (Springfield, 1851), 163-175.

that state, and proposed to Woodman that "we get together \$25,000 & buy that amount of Cal., & R.R. bonds deposit and obtain \$25,000 more bills & soon until if you please we reach \$100,000. Our annual interest on that sum of stock would be \$6,000, & we should still have the \$25,000 we started with to protect our circulation."<sup>58</sup> He wrote George Woodman, of New York, asking him to check up on the constitutionality of the California bonds since they were legal backing for circulating notes in Illinois up to their par value. "We have pretty much made up our minds," he wrote, "to start a bank here at this place & one at Chicago. The capital will be \$50,000 at each place. . . "<sup>59</sup> He proceeded to write Grant Goodrich, of Chicago, concerning the rental of the banking house previously occupied by Seth Paine and Company, "provided we can take possession the 1st of June or July."<sup>60</sup> Woodman wrote Henry Hubbard, of Charlestown,

<sup>58</sup> Washburn to Woodman, February 23, 1853, Woodman Papers.

<sup>59</sup> Washburn to George Woodman, March 24, 1853, Woodman Papers.

<sup>60</sup> Washburn to Grant Goodrich, April 1, 1853, Woodman Papers. Goodrich was a prominent Chicago lawyer. Seth Paine had attempted to run a bank on strictly moral principles loaning money at 6%. The bank opened for business in August, 1852 and did a quiet and unostentatious business with that class of citizens who believed in the application of moral principles to banking but were unable to see the obstacles encountered in establishing such a bank among a hard drinking and cursing citizenry. A mixture of spiritualism and editing of the Christian Banker spelled doom and Paine closed, but paid off all notes in February, 1853. Andreas, History of Chicago, I; 540-544.

New Hampshire, for additional financial assistance for Washburn to put a bank "in operation at Chicago." However, charter difficulties and the opening of timber lands switched them back to Wisconsin and Minnesota as fields for operation.

Simultaneously, Washburn began the organization of the Wisconsin bank. As the banking law provided that only state bonds were acceptable at par, Washburn immediately began searching for suitable securities. In the early spring of 1853, the legislature passed a bill bonding the state for fifty thousand dollars, and Washburn made application for all or any part of the issue. Reasonably sure of a portion of the issue, he requested E. B. Washburne to negotiate a loan with Corwith and Company for ten thousand dollars for advance payment. The state loan was divided between Alexander

<sup>61</sup>Woodman to Henry Hubbard Jr., April 24, 1853, Woodman Papers. The Milwaukee Sentinel for April 26, 1853 announced the appointment of Henry Plowman as receiver. The fact that Woodman realized he had little chance to obtain it, undoubtedly turned him to favor Washburn's schemes.

<sup>62</sup>Bounty warrants were made assignable in 1852 and new lands brought into sale. The two men realized the fortune easily obtainable in pine lands and began speculating heavily.

<sup>63</sup>The constitution allowed the bonding of state up to \$100,000 except in time of war or insurrection. Ellis B. Usher, Wisconsin: Its Story and Biography 1848-1913 (5 vols., Chicago and New York, 1914), 3:469.

<sup>64</sup>Washburn to His Excellency L. J. Farwell, March 28, 1853, Woodman Papers. Washburn had assisted in the formulation of the banking act.

<sup>65</sup>Washburn to E. B. Washburne, April 8, 1853, Woodman Papers.

Mitchell, of Milwaukee, and Washburn, the former taking  
<sup>66</sup>thirty thousand dollars. The bonds were purchased to net  
<sup>67</sup>6.04. The firm's inability to secure the entire issue, or  
 an amount sufficient to sustain a circulation of twenty-five  
 thousand dollars, was a signal to purchase additional  
 securities in the New York market. Straightway, they wrote  
 George Woodman to buy five thousand in state bonds, "prefer-  
<sup>68</sup>ably a cheap stock, as Missouri if it could be had at 101."

At the same time, they ordered fifty thousand in  
 notes of various denominations to be struck off and mailed  
 to the state comptroller by May 1, <sup>69</sup>1853. Some difficulty,  
 however, was encountered in the purchase of bonds and  
 Washburn requested an extension of time for the deposit of  
 the securities until May 10, <sup>70</sup>1853. Subsequently, however,  
 the bank opened, and without much fanfare Wisconsin Bank  
<sup>71</sup>currency was paid out. By the first part of July, \$20,863

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<sup>66</sup>Daily Argus and Democrat, April 15, 1853. The Bankers Magazine recorded the state stock at 7% and amount \$20,000, on January 2, 1854. "Banking in the Several States," in Bankers Magazine, 8 (1853-1854): 637-654.

<sup>67</sup>Washburn and Woodman to N. Corwith and Company, April 15, 1853, Woodman Papers.

<sup>68</sup>Washburn and Woodman to George Woodman, April 21, 1853, Woodman Papers.

<sup>69</sup>Ibid., April 1, 1853.

<sup>70</sup>Washburn and Woodman to Hon. L. J. Farwell, April 26, 1853, Woodman Papers.

<sup>71</sup>Woodman to Ephriam Brown, May 30, 1853, Woodman Papers.

in circulating notes were put into circulation against state securities of twenty-five thousand dollars. Within the next six months additional securities were added bringing the total circulating notes up to \$46,998. In the spring of 1853, the fifty thousand dollars in bonds sold above par, but a slight depression in the market, that which sent all foreign bonds downward to prices ranging from 88 to 92, brought a call from the comptroller for a ten percent increase in securities and coin or ten percent decrease in bank notes as additional protection for Wisconsin currency. Holders of Wisconsin bonds were not obliged to conform to the call.

The bank began operation as a conservative institution and continued in the manner throughout its short existence.

<sup>72</sup>"Bank Statistics," in Banking Magazine, 8 (1853-1854): 253.

<sup>73</sup>"Banking in Several States," in Banking Magazine, 8: 637-654; Annual Report of the Bank Comptroller of the State of Wisconsin, for the Year 1854 (Madison, 1855), 22.

<sup>74</sup>Ibid. The Wisconsin Bank securities on deposit were: \$20,000 in Wisconsin 7's; \$20,000 in Missouri 6's; \$5,000 in Tennessee 6's; \$5,000 in Virginia 6's. In April, 1853 Virginia 6's sold at 10½; Tennessee 6's at 110½; Missouri 6's at 108½. New York Daily Times, April 20, 1853.

<sup>75</sup>Daily Argus and Democrat, December 29, 1854.

<sup>76</sup>Wisconsin Bank Comptroller's Report, 1854, 11-12. Southern stocks seemed the hardest hit by the New York market decline. The Wisconsin Bank turned in \$3,000 in notes.

As the law permitted Maine banks to pay and redeem notes at places other than the home office, the Wisconsin Bank became a station for the Bank of Hallowell. The redemptory assignment heavily taxed the gold reserve of the bank, forcing Cashier Woodman to carry one heavier than ordinarily required.<sup>77</sup> The notes were used in the lead region and found ready acceptance along the Upper Mississippi, where the partners engaged in timber speculation. In common with all eastern notes, since the balance of trade between the East and West was unfavorable to the latter, merchants used them as well as other eastern currency and negotiable instruments to redress the difference. These notes were normally collected at river ports, Galena no less than the rest, where they were converted into eastern exchange in the form of drafts or acceptances, at a heavy discount. The sellers of the exchange thereupon bundled up the paper and presented it in large amounts at the home office for payment. The rapidity with which eastern notes came home made it unprofitable to distribute large sums in the West unless some way could be found to retain them there.<sup>78</sup> When the currency was redeem-

<sup>77</sup>	Specie Reserve	Circulating notes	Solvent bank notes
July 4, 1853	\$ 2,503.87	\$20,863.00	\$5,963.00
Jan. 2, 1854	7,066.62	43,987.00	2,345.00
July 2, 1854	14,885.71	49,998.00	3,394.00
Jan. 1, 1855	16,799.16	46,968.00	8,577.50
July 2, 1855	12,148.84	42,181.00	2,340.00
Jan. 7, 1856	6,359.64	20,939.00	1,787.00

Wisconsin Bank Comptroller's Report, 1854, Appendix, schedules B, C, D, E; (Madison, 1856), schedule G.

<sup>78</sup>Charles A. Conant, A History of Modern Banks of Issue (New York, 1909), 368.

able at a western location alone it worked a hardship unless there were extensive holdings of specie such as George Smith, of Chicago, had for redemption of his numerous notes. Not infrequently, however, people accepted notes of a bank located in a state whose banking laws were known to be strict. In this connection, Smith was known to pay out the notes of a bank established in a state whose laws were lax, by merely duplicating the name, type, paper, and color of a note from an institution under strick banking laws. Holders who departed in great haste from the paying office seldom looked for the redemption station, usually printed in small letters on some obscure part of the bill, and frequently carried it for days, or until conversation with some more careful currency holder brought closer scrutiny.<sup>79</sup>

From the outset the bank at Hallowell demanded a great deal of attention. It was located too far from the West for Washburn to give it his personal consideration, so he depended entirely upon Cashier Sidney Washburne to protect his interests. Although Washburne had been a merchant in Boston and quite well received in Hallowell, he became somewhat lax and careless as the newness of banking wore away.<sup>80</sup> Washburn

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<sup>79</sup>F. Cyril James, The Growth of Chicago Banks (2 vols., New York, 1938), 1: 226-232; Andreas, History of Chicago, 1: 538-546.

<sup>80</sup>Annual Report of the Bank Commissioners of the State of Maine, 1846 (Augusta, 1856), 113-114.

contributed largely to the negligence by drawing heavily on the bank with little regard for the specie reserve or the ability of his brother to raise funds on promissory notes. The fact that the capital more generally consisted of promissory notes made such an attempt a difficult one. The Maine law required a specie ratio of one to three when the circulatory notes exceeded fifty percent of the capital actually paid in specie.<sup>81</sup> Moreover, a lawful reserve was necessary for the day to day redemption of notes,<sup>82</sup> as a margin of additional safety, since the law allowed the emission of paper on the general assets of the bank. Consequently, the problem of raising specie and protecting Washburn's drafts became a herculean task, requiring the attention of one man. Washburn admonished the cashier to build the specie in accordance with the law,<sup>83</sup> but furnished no means for him to do so. Therefore, it was seldom done, and only the laxness of the state banking department in examining the bank saved the institution from the penalties of the law.<sup>84</sup> It is very likely, too, that Congressman Israel Washburn used his influence with the department to ease censure. The fact that the bank was dominated by western

<sup>81</sup> Acts and Resolves Passed by the Twenty-sixth Legislature of the State of Maine A.D. 1846 (Augusta, 1846), Chapter 220; Conant, History of Modern Banks of Issue, 363

<sup>82</sup> Maine Statutes, 1846, chapter 220.

<sup>83</sup> Washburn to A. S. Washburne, July 26, 1852, August 16, 1852, November 14, 1854, Woodman Papers.

<sup>84</sup> Maine Bank Commissioner's Report 1856, 112-113.

stockholders, to the unbending animosity of the Hallowell residents, prevented local interest. Even the Hallowell stockholders seemed completely devoid of interest.

The condition of the specie reserve had its repercussions in maintaining the circulation of Hallowell notes. It became necessary to pay the paper out in distant places and in small amounts, so that the cashier would not be confronted with the entire circulation in a short time. The profit a bank realized from the currency came from the length of time it stayed in circulation and the possible chances of it being destroyed, consequently some care was exercised in obtaining paying stations. The city of Hallowell, where shipping and manufacturing interests were not yet in decline, furnished one opportunity, but Washburn doubted the practicability of putting out much there, especially after the manner in which the people had exhibited their disapprobation of the western stockholders. He was much surprised, therefore, to learn how quickly the people accepted it.<sup>85</sup> The paper soon brought trouble, for it represented a like amount of gold and silver and traveled in a prescribed circuit limited by the facilities for redemption. It obligated the bank to carry a specie reserve almost equal to the local circulation. Consequently, it was not long

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<sup>85</sup>Washburn to George Woodman, June 28, 1852, Woodman Papers.  
". . . the money takes so well there that they have already put \$13,000 into circulation at home . . ."

after the organization of the bank that the paper was redeemed and sent elsewhere for circulation.

In the search for new territory, Washburn turned to New York City. A circulation in the city, in his belief, augured well to have a salutary effect upon the bank. Hallowell currency might stay out longer if distributed among the right economic group, and the city certainly offered no paucity of profitable opportunities for speculation. A circulation in the city might also enhance his own credit, and thus gain for himself additional funds on long term credit for western speculation. Early in 1852, soon after the incorporation of the bank, he invited George Woodman to take over the paying agency in that city, cautioning him to place the paper where it would stay in circulation for some time. Woodman accepted, but the readiness with which the people of Hallowell accepted the money prevented any immediate action. The next year, after George Woodman had become a stockholder and the citizens of Hallowell grew tired of the paper, an effort was made to push the New York circulation. However, the scheme met with little

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<sup>86</sup> List of stockholders, with amount of stock held by each, January 1, 1855, in Banks of Maine, in Documents Printed by Order of the Legislature of the State of Maine, 1855 (Augusta, 1855), 16; George Woodman to Woodman, May 12, 1853, Woodman Papers; George Woodman to Washburn, April 4, 1853; Washburn to George Woodman, May 3, 1853, Washburn Papers; Acts and Resolves Passed by the Thirty-second Legislature of the State of Maine, A.D. 1853 (Augusta, 1853), Chapter 169. The increase was approved March 29, 1853.

success for no large circulation was ever obtained there,<sup>87</sup>  
and Washburn, thereupon, used the bills in the West.

In the West, Washburn carefully nursed the circulation by discriminate loaning, or by exchange of notes with banks in neighboring states. In the former case, the paper was loaned for sixty or ninety days at a low rate with the provision that it be put in places where it would stay out for some time. Washburn used much of it for personal speculation, exhibiting the same caution as that requested of a borrower. In this connection no small amount found its way into the timbered regions of the Upper Mississippi, where the lands were newly opened to entry. Dorilius Morrison, a relative of Washburn and an agent of Washburn and Woodman, paid out the currency for labor, and found that it passed<sup>88</sup> freely among the men. Since the crews consisted of Maine men generally, they were somewhat attracted to the Hallowell notes. However well received, Hallowell money did not stay there for circulation, but drifted into the hands of merchants, and thence south to St. Louis or Galena for the purchase of eastern exchange or for goods. Rather than pay the eastern exchange premium, the merchants not infrequently shipped it directly to New York. By this means a bill found the home

<sup>87</sup> Washburn to George H. Woodman, June 28, 1852, Woodman Papers.

<sup>88</sup> Washburn and Woodman to Dorilius Morrison, November 26, 1854, Woodman Papers.

office in ten days. Bankers generally sought to send all foreign notes home for redemption unless especially enjoined otherwise.<sup>89</sup>

In the lead district more specifically, the circulation of Hallowell money was undertaken by Washburn and Woodman and the Bank of Galena. The latter institution was an outgrowth of Corwith and Company which incorporated the bank under the Illinois Act of 1851. Being closer to the East in point of time than Mineral Point, the Bank of Galena became the depository for Hallowell notes dispatched from the East, for almost as rapidly as the currency reached the home office, Cashier Washburne sent it back for distribution. The reputation of Corwith and Company was known throughout the Upper Mississippi, and merchants on the river purchased a large amount of eastern exchange from them. Consequently, the Hallowell notes, flowing down from up river, generally came to rest in the coffers of the bank. By agreement with Washburn, in which Corwith and Company were given almost unlimited credit at the Bank of Hallowell, the Galena bank paid the Maine currency out as current funds, endeavoring to keep it in circulation. The loans of Corwith at one time reached such great proportions at the Hallowell institution that Sidney Washburne experienced difficulty in raising specie on them. The general condition of the country,

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<sup>89</sup>Report of the Bank Commissioners of the State of Illinois for the Year 1858 (Springfield, 1859), 7-8.

slumping after the speculation in California and set back by the sudden termination of the Crimean War, contributed no less to the hardship. Things did not go well with Corwith, and Cashier Washburne suspicioned the company was immediately sending Hallowell home for redemption. He vehemently wrote Washburn to require payment of the Corwith loans if such condition continued to exist.<sup>90</sup> This latter course was followed, for the lead district felt the hardship of the crisis of 1856-1857 quite early. Washburn himself, by this time greatly interested in logging operation, found his credit sorely taxed at the Galena institution, so that bankruptcy faced him. Also in Galena were located the concerns of Carter and Company and Campbell and Company, merchants and lead buyers, who were competitors of Corwith. These firms were, for the most part, unfriendly to Washburn and Woodman, although the latter company purchased shot from the tower at Helena. The unfriendliness resulted in these two companies shipping the Hallowell notes homeward, despite<sup>91</sup> statements to the contrary. The accusation cost the Wisconsin

<sup>90</sup>A.S. Washburne to Washburn, March 2, 1856, Washburn Papers.

<sup>91</sup>Washburn to James Carter & Co., June 2, 1852, Washburn Papers; Andreas, History of Chicago, 2: 617. James Carter was a native of Aberdeen, Scotland along with George Smith, Patrick Stachan, W.D. Scott, Murray, and Alexander Brand. Carter came to Chicago about 1840 and joined St and Scott, a Scotch investing house. He soon left, however, and went to Galena forming the concern of Carter and Smith with the purpose of putting Wisconsin Fire and Marine paper in circulation. Corwith and Company had preceded him and were paying out gold sovereign, which prevented the paper from getting a foothold there. The partnership dissolved and Carter established the house of James Carter and Company, Strachan and Scott being the company. Carter finally moved to St. Louis and entered Smith and Webster, a George Smith company.

Shot Company a customer, for Campbell soon closed his account with the Helena concern. On a smaller scale, E. B. Washburne and Charles L. Stephenson furnished much assistance, both being stockholders in the institution at Hallowell. The latter owned and operated a mill, and used Hallowell to pay farmers and rivermen for produce and services.

In closer proximity to Mineral Point, and eastward to Madison and Milwaukee, the care of circulation rested upon Washburn and Woodman. After the incorporation of the Wisconsin Bank, the duty was taken over by that institution which handled the money as current funds. This saddled the Mineral Point bank with the responsibility of two circulations and caused Cashier Woodman no small amount of uneasiness. Washburn named the Wisconsin Bank as a redemption agency which caused a great deal of the paper to appear for redemption in gold. Shot tower laborers accepted the notes in payment for services, but not infrequently tendered them for gold pieces. Quite generally the miners refused to accept them, demanding "metal for metal."<sup>92</sup> Out of that district, Washburn found occasion to exchange the paper for English sovereigns,<sup>93</sup> with some success, at Milwaukee, and to loan the money in Madison. Indeed, the State Bank of Madison

<sup>92</sup>Theodore Rodolf, "Pioneering in the Wisconsin Lead Region," in Wisconsin Historical Collections, 15: 338-389 (Madison, 1900).

<sup>93</sup>Clarence Bernard Hadden, "History of Early Banking in Wisconsin," in Wisconsin Academy of Science, Arts and Letters, Transactions, 10: 159-198 (Madison, 1894-1895).

passed the bills as current funds on Washburn's guarantee to redeem in gold when called upon.<sup>94</sup> The money thus became quite popular, especially after Washburn offered to loan it at six percent,<sup>95</sup> therefore a large amount stayed in circulation. During the first three years of the bank's existence, the Hallowell currency enjoyed good reception in the West.<sup>96</sup>

However, political capital was soon made out of the introduction of the foreign paper. In 1854, the Republicans of Mineral Point nominated Washburn for Congress.<sup>97</sup> Although the main issue was slavery, the newspapers descended to the level of discrediting the candidates for personal reasons. In the midst of the campaign, the Wisconsin Daily State Journal, a Washburn supporter, made the political error of calling attention to the financial stability of the Wisconsin Bank, asserting that only money of good standing was paid out by it.<sup>98</sup> The statement was unqualifiedly true, but a few

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<sup>94</sup>Washburn and Woodman to Catlin and Williamson, June 3, 1852, Woodman Papers.

<sup>95</sup>Woodman to John Catlin, October 21, 1852, Woodman Papers.

<sup>96</sup>Washburn to George Woodman, June 28, 1852, Washburn Papers.

<sup>97</sup>It is a matter of strange coincidence that the Democrats nominated Cyrus Woodman. Woodman declined to run. Otis Hoyt, of Hudson, Wisconsin, was selected. Daily Argus and Democrat, September 8, 1854.

<sup>98</sup>Wisconsin Daily State Journal, October 4, 1854.

days later a Democrat paper published the announcement of the Bank of Hallowell's suspension,<sup>99</sup> and followed it up the next day by a scathing criticism of the Republican sheet's attempt "to make some votes for its candidate as a pattern of financial virtue," when all the time a bank that he was vitally interested in went bankrupt.<sup>100</sup>

The press of the congressional district soon joined the war begun by the Madison papers. The Journal, marshalling its forces for Washburn's support, announced that "the bills never have fallen in disfavor" and triumphantly published the willingness of the State Bank of Madison to accept them at par.<sup>101</sup> The Mineral Point Tribune came to the support of Washburn, while the Galena Advertiser reduced the enormity of circulation, as mentioned by the Democratic press, to that of a few thousand dollars which the Bank of Galena readily accepted as it did other New England papers.<sup>102</sup> The Grant County herald, in addition, informed the public of Washburn's generosity in refusing to evict a farmer for failure to pay an installment on his loan, rather the candidate made resti-

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<sup>99</sup>Daily Argus and Democrat, October 27, 1854.

<sup>100</sup>Ibid., October 28, 1854.

<sup>101</sup>Daily State Journal, October 30, 1854.

<sup>102</sup>Mineral Point Tribune, November 1, 1854.

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 tution of the sums already made. The falsity of the  
 rumor forced the Daily Argus and Democrat to print a re-  
 traction, explaining that the bills were thrown out by the  
 Suffolk Bank of Boston for one day, and to declare that "it  
 104  
 is now as good as ever." Although the statement from the  
 press came a week before the election, and although Washburn  
 was elected in spite of it, there is little question that it  
 105  
 cost him a few votes. Currency was still presented for pay-  
 ment, and the Wisconsin Bank, the medium through which the  
 reputed "forty or fifty thousand" was put afloat in the  
 106  
 state, continued to redeem Hallowell in gold at par. 107 The  
 combined support of the Bank of Galena plus the Wisconsin  
 Bank was sufficient to ward off any runs.

What the Democratic press erroneously reported as a  
 bankruptcy was, in reality, the refusal of the Suffolk Bank  
 system to accept and pass Hallowell notes at par, as had been  
 its former custom. This system occupied a position somewhat  
 similar to a modern clearing house, collecting as it did  
 the paper of New England banks and presenting it for payment;  
 and had for its goal the establishment of a stabilized cur-  
 rency in New England. However, bankers outside of Boston

103 Daily State Journal, October 4, 1854, quoting Grant  
 County Herald.

104 Daily Argus and Democrat, November 11, 1854.

105 Ibid., December 4, 1854, quoting Platteville American.

106 Ibid., October 28, 1854.

107 Mineral Point Tribune, November 1, 1854.

saw in the system an attempt to rob the suburban institutions of a circulation, thereby reducing the profitability of country banking; for the notes of these latter institutions freely found acceptance and circulation in the Boston metropolis to the detriment of local currency.

Other country bankers believed it to be a method of building up the deposits of the Suffolk Bank which could be used by Boston merchants for speculation. The manner in which the country currency of Massachusetts occupied the channels of Bostonian trade <sup>108</sup> caused the Suffolk, chartered in 1818, to undertake the function of freeing the Boston channels by presenting country paper for redemption. The task was accomplished with some profit, for such notes were obtainable at a discount from  $1\frac{1}{2}$  to 5 percent, and redeemable at par. The presentation caused a great deal of embarrassment to many small bankers, not to say loss of profit, who made overtures to the Boston financial house. After a series of conferences it was finally decided to sell the notes to country bankers at the same price they were purchased provided country banks kept a deposit of five thousand dollars at all times plus sufficient sums for the day to day redemption. <sup>109</sup> That proved to be just the beginning.

<sup>108</sup> John Jay Knox, A History of Banking in the United States (New York, 1900), 366; D. R. Whitney, The Suffolk Bank (Cambridge, 1878), 10.

<sup>109</sup> Conant, A History of Modern Banks of Issue, 366; Whitney, The Suffolk Bank, 7-8.

Notwithstanding the compromise, not all country banks entered in the design so that Boston paper did not dominate the trade channels; consequently, Boston bankers were denied profits normally within their range. Thereupon, a rather resolute group of Boston bankers decided once and for all to rid the trade canals of cheap paper, and adopted the plan already in use by the Suffolk Bank. Therefore, to increase Bostonian circulation, in 1824 it was deemed advisable to establish a paying agency to recover the lost trade. The agency became known as the Suffolk Bank system. Six Boston banks agreed to turn over to Suffolk Bank the combined sum of three hundred thousand dollars for use in the purchase of country notes. The latter institution, with its machinery already set up and in operation, began vigorously to prosecute the plan, and within a short time drove a majority of country notes into hiding. The revolving fund furnished by Boston banks proved an ample amount. It was not long, however, before a larger number of out-of-city bankers appeared at the Suffolk Bank to make terms with the system. The terms offered were quite the same presented to the bankers previously. Country banks, the members of the system stated, must maintain a deposit of two hundred thousand dollars and any extra sums needed to meet day to day redemptions. The currency of all banks belonging to the system or agreeing to the plan would pass at par; violators would find an agent of the

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system ready to present currency for gold. Since these little banks rarely kept an amount of gold equivalent to the outstanding notes, a sudden descent would bankrupt the institution; consequently the banks joined, and Massachusetts paper passed at par within the confines of the state. Indeed, the design had such an effect that some neighboring states required banks to redeem in Boston at par. The tendency, therefore, was to create for New England a sound and stable paper.

The successful operation of the Suffolk Bank system had a far reaching effect on New England banking. The notes of Massachusetts country banks grew in such proportions that a daily charge rather than the old weekly charge was made against the accounts of corresponding banks. It was also required that the banks with a capital stock of more than one hundred thousand dollars must deposit in Boston a sum greater than the two thousand dollar minimum. <sup>111</sup> As Boston was considered the banking center of all New England, notes from non-Massachusetts banks began to occupy the same position formerly taken by country currency. In 1831, the amount of New England currency was so large that the system began plans for raids similar to those conducted on the state institutions. It offered, therefore, in advance, the same terms submitted

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<sup>110</sup>Conant, A History of Modern Banks, 367-368

<sup>111</sup>Whitney, The Suffolk Bank, 19.

country bankers. A remarkable number capitulated, but enough remained outside the system so New England banks came to be classified in two groups; namely, those redeeming at Suffolk and those not redeeming. Perhaps out of fear that New England banks might register disapprobation, the Suffolk Bank system did not request all out-of-state banks to maintain deposits in the city, but it did insist that they redeem notes at some convenient place in order to be classified as belonging to the system.<sup>112</sup> The system, therefore, had a remarkable effect in stabilizing New England currency, and doubtlessly contributed to the manner in which that paper weathered crises.

Accordingly, by the time Hallowell was organized, the Suffolk Bank system was so well established that it became a clearing house for most New England paper. Its control, however, was challenged by the Mutual Bank of Redemption, organized by prejudiced country bankers in 1855, but the new organization achieved little importance when the city institutions failed to give it support.<sup>113</sup> Although other New England states felt the need of redeeming at Boston, the Maine legislators made no such requirement; for they believed that the law of 1846, providing a specie reserve, was ample security for the Maine note holders.<sup>114</sup> Washburn had some idea

<sup>112</sup> Knox, A History of Banking in the United States, 367.

<sup>113</sup> Ibid.

<sup>114</sup> Acts and Resolves Passed by the Twenty-sixth Legislature of the State of Maine, A.D. 1846 (Augusta, 1846), Chapter 220.

of the power wielded by the Suffolk system, and cautioned Cashier Washburne to maintain a sufficient reserve to meet the onslaughts by the Boston system.<sup>115</sup> He sincerely believed that a large specie reserve, though it might cut down the amount of funds subject to loan, was one way to show Suffolk the Hallowell institution was sound and well able to withstand any sudden currency presentations.<sup>116</sup> The Boston system did not long delay in testing the strength of the new bank, for in November, 1852, an agent appeared with fifteen thousand dollars in Hallowell paper which Sidney Washburne paid in gold coin.<sup>117</sup> Other presentations were made which the cashier met with the similar payments. The frequent annoyances of currency redemption caused Washburn to think of putting the entire circulation out in the West where it stood a better chance of remaining for a longer period of time. For a time he met with comparative success, but the announcement of Hallowell's reputed bankruptcy forced much of the currency into western banking houses; and despite the assurances by Corwith and others he could not keep it out for any length of time.<sup>118</sup>

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<sup>115</sup> Washburn to A. S. Washburne, July 26, 1852, Woodman Papers.

<sup>116</sup> Woodman to John Catlin, October 21, 1852, Woodman Papers.

<sup>117</sup> Washburn to A. S. Washburne, November 18, 1852, Washburn Papers.

<sup>118</sup> Woodman to Sam Marshall, November 21, 1854; Woodman to A. S. Washburne, November 22, 1854, Woodman Papers.

When the congressional election was over, Washburn left for the East to ascertain the cause of the bankruptcy charge. Upon talking with Sidney Washburne, he learned that the Suffolk system had collected a large amount of Hallowell currency preparatory for a raid on the home office. Expecting the agent would return empty handed the officials of the system declared the bank had refused payment of the notes and was therefore bankrupt. The Suffolk Bank went so far as to give a public statement which was soon transferred to Wisconsin. When the agent returned with the gold, the officials were constrained to publish a retraction and to restore the notes to their former status. The retraction reached the congressional district in which Washburn was a candidate just a week before the election. However, the previous statement had dire effects. Cashier Washburne redeemed fifty thousand dollars, over half the circulatory notes, without resorting to the fifteen days moratorium allowed by the Maine banking law. The action by Suffolk so perturbed Washburn that he told Sidney Washburne to take the full fifteen days next time, not out of necessity, but solely for the purpose of annoying the Boston system. The prompt payment of the currency served to advertise the strength of

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the Hallowell institution, and the public considered it one of Maine's strongest, but somehow the bank never quite attained its former position. In the West, it never regained completely the pre-eminence it once had. In the early part of 1856, its paper was considered little better than wildcat currency. Washburn's bookkeeper collected nearly fifteen thousand dollars of it which he was unable to pay out. In the lake coast cities it fell in disfavor, and only upon the insistence of Ilsley was it saved from being discarded by Milwaukee bankers. Woodman recommended redeeming them at George Woodman's in New York at  $\frac{1}{2}$  percent discount, or at Suffolk if any large circulation were to be expected. But as the Maine charters expired in 1857, Washburn gradually redeemed Hallowell without ever "paying tribute to Suffolk."

<sup>119</sup> Washburn to Sam Marshall, December 9, 1854; Woodman to D. Morrison, November 26, 1854, Woodman Papers; Daily Argus and Democrat, December 4, 1854. Said the Maine Commissioners, "The Bank of Hallowell is the only one that did not make an effort to be restored to favor at Suffolk--after having been thrown aside. This bank is owned,--mostly--and controlled by men of wealth and of good business capacity;--and the failure to redeem in Boston was not owing to inability to supply necessary funds. They have not ceased to pay all bills at their counter...." "Annual Report of Bank Commissioners, 1854," in Documents Printed by Order of the Legislature of the State of Maine During its Session A.D. 1855 (Augusta, 1855), 8-9.

<sup>120</sup> Woodman to Charles Stephenson, November 27, 1854, Woodman Papers.

<sup>121</sup> Woodman to Washburn, March 8, 1856, Woodman Papers.

<sup>122</sup> Ibid., February 11, 1856.

<sup>123</sup> Woodman to Daniel Thompson, May 7, 1856, Woodman Papers.

Yet fearing a sudden descent might again be made and catch Cashier Washburne unawares, he left thirty thousand dollars<sup>124</sup> in rail stocks as collateral for loans.

The Suffolk attack on Hallowell occurred at the time when George Smith was attempting to retain mastery of the currency market in and around the states adjacent to Illinois. From all appearances, Smith had been checked from using the Wisconsin Marine and Fire Insurance Company's paper for that purpose; and when the new Wisconsin banking act, by implication, proffered him the choice of submission to the law or a suit in court, he accepted the former option and relinquished his control of the company to Alexander Mitchell, who, by adding the word 'bank' to the name, organized the institution under the Wisconsin law. Mitchell, however, became a paymaster for Smith's other issues so that the state's channels were not freed of the latter's currency. The state of Illinois effected a similar change, but Smith circumvented the law by incorporating the Bank of America at Chicago with a capital of fifty thousand dollars, but<sup>125</sup> paying out the paper of his other concerns. Shortly after the organization of the Chicago house, Smith obtained control of a bank in the District of Columbia, called the Bank of America, and immediately elected himself president. The

<sup>124</sup>Washburn to A. S. Washburne, November 14, 1854. Washburn Papers.

<sup>125</sup>Daily Argus and Democrat, June 9, 1853.

District required no security for notes, and Smith issued them freely and paid them out at Chicago. Curiously enough, he printed these notes with such exact similarity to the Bank of America, Chicago, that the average holder believed he was getting Illinois secured paper. When the deceit was discovered, people turned them in for gold, but so rapidly did Smith meet the run that many holders came to accept them as bonafide secured notes. But the grand jury of the District soon closed the bank and Smith redeemed the paper at Strachan and Company, New York, and agencies in Washington.

Frustrated by the grand jury in Washington, Smith turned to Georgia where the banking laws exhibited the same laxness found in the District. In April, 1853 he purchased the control of the Atlanta Bank, and shortly after the Interior Bank of Griffin, Georgia, some forty miles away.

<sup>126</sup>The moralist banker, Seth Paine, conducted an active campaign in Chicago for the eradication of the notes. The magazine published by Paine, and the pulpit he financed thundered loud protests against the system and warned all Chicagoans to beware the wildcat issues. Although Paine might have inoculated too much spiritualism in his banking practices, it cannot be said he did not make an honest effort to clear the Chicago channels of Smith's Washington currency. Andreas, History of Chicago, 1: 538-546.

<sup>127</sup>Scott and Strachan, the old Chicago concern and associates of Smith, sold out to Murray and Brand and moved to New York; but they were still associated in nominal way with the Smith banking enterprises. Daily Argus and Democrat, May 27, 1853.

<sup>128</sup>Daily Argus and Democrat, May 31, 1853.

Although the banks were located in Georgia, the control was in Chicago from which place Smith forced Atlanta notes into circulation through outlets at Milwaukee, Galena, Cincinnati, and Detroit. The paper of the banks was similar to that of the Bank of America, but chiefly in two dollar denominations which were more readily accepted. Smith agreed to receive the notes for deposit at his Chicago office on the same basis as Ohio and Indiana paper, and to redeem them in New York at three quarters of one percent discount.<sup>129</sup> When the notes first made their appearance in May, 1853, a joint force of bankers had already their battle lines.

The press fired the first shot by assailing Smith's moral right to operate banks in a state where the banking laws were weak, and also to flood the northwestern states with unsecured currency. It was morally wrong, mentioned the press, for Smith, "like a bankrupt," to start spurious institutions and to flood states whose legislatures forbade the issuance of wildcat currency.<sup>130</sup> So far did the Thompson Bank Note Reporter carry the attack that Smith shot back by filing a suit for defamation of character. However.

<sup>129</sup> Op. cit., May 16, 1853; Milwaukee Daily Sentinel, May 7, 1853. The currency of all Smith's Georgia banks became known as "Atlanta money" or just "Atlanta".

<sup>130</sup> Daily Argus and Democrat, June 9, 1853, quoting Thompson's Bank Note Reporter (New York).

after the suit had been filed some weeks, Smith dropped it.<sup>131</sup>  
 It was an exhibition of ingratitude for Smith to flood the  
 states with cheap currency, especially after the laws had  
 given him a chance to make money; therefore, a person  
 violated public confidence and had no thought for the public  
 welfare by accepting the currency.<sup>132</sup> The newspapers also  
 attacked the legal provisions of the charter, even before  
 they were known, by assuming the stipulations must have been  
 unrestrictive or else Smith would not have gone there.<sup>133</sup> When  
 they were learned, the news sheets found safety only in one  
 proviso; that of forbidding the bank to accept the signature  
 of an officer or director as principal or surety on any note.<sup>134</sup>  
 Notwithstanding all criticism the press over looked one fact;  
 namely, that the public accepted the notes quite readily.  
 That was what Smith counted on.

After a general preliminary skirmish against Smith  
 currency, the press began to attack the security of the  
 notes. The Augusta (Georgia) Chronicle warned all holders of  
 Atlanta notes that the bank was run "for illegitimate purpose,"  
 and the bank placed no paper out in Georgia possibly because

<sup>131</sup>Milwaukee Daily Sentinel, July 20, 1853.

<sup>132</sup>Daily Argus and Democrat, May 31, 1853.

<sup>133</sup>Ibid., May 16, 1853, quoting the St. Louis Republican.

<sup>134</sup>Op. cit., June 17, 1853.

of the refusal to accept it. <sup>135</sup> The Chicago Journal humorously attacked the notes by claiming Smith should be awarded "the Post Office printing on the ground that his paper <sup>136</sup> has the largest circulation of any in the city," while the Daily Democrat found that the Georgia court maintained paper was of little consequence when it freed a man who had swindled \$600 in paper. <sup>137</sup> Despite a libel suit the Bank Note Reporter continued to advertise the lack of security behind the notes and to render invaluable aid to Chicago bankers <sup>138</sup> interested in totally eradicating shinplasters from the city.

In spite of the continued press attacks the amount of currency in circulation increased. It appeared that he intended to duplicate the Wisconsin Marine's currency <sup>139</sup> history and issue "a million or a million and a half." By the latter part of 1854 estimators gave one million as <sup>140</sup> the correct amount in trade channels. However, official sources at the close of 1853 listed the circulation of the

<sup>135</sup> Daily Argus and Democrat, June 7, 1853, quoting Augusta Chronicle; Mineral Point Tribune, August 28, 1855, quoting the Augusta Chronicle.

<sup>136</sup> Milwaukee Daily Sentinel, June 11, 1853, quoting Chicago Journal.

<sup>137</sup> Daily Democrat (Madison), June 21, 1855.

<sup>138</sup> Daily Argus and Democrat, December 17, 1853.

<sup>139</sup> Ibid.

<sup>140</sup> Daily State Journal, September 13, 1854, quoting Galena Advertiser; Mineral Point Tribune, September 27, 1854.

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Atlanta Bank as \$179,000, and in 1855, the Atlanta Bank  
<sup>142</sup>  
 \$51,001, and the Interior Bank \$455,930. The prompt pay-  
<sup>143</sup>  
 ment of the notes was assured by the Sentinel.

In the campaign to extirpate local money and replace it by Atlanta money, Smith offered little quarter. His plan of operation was to send home every dollar of other circulation and replace it with Atlanta. As most of the banks were small local affairs, their owners were generally afraid of Smith, who held out the threat that unless they took and gave Atlanta, he would lay aside their bills and run them for specie. Since no small bank kept specie to the total amount of the circulatory notes outstanding, the banks surrendered and passed Atlanta, giving it circulation and a  
<sup>144</sup>  
 semi-legal approval. The only other solution was to garner their notes until a sufficient amount lay in their vaults and then defy him. But since such tactics were highly un-

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<sup>141</sup> Daily Argus and Democrat, December 26, 1853; Milwaukee Daily Sentinel, July 20, 1853. The paid in capital was \$111,000 which allowed, according to Georgia law, an issue of \$333,000. There were 3,000 shares, 2,996 owned by Smith, and one each by Strachan, Scott, Mitchell, S.C. Higginson. Ibid., quoting Chicago Tribune.

<sup>142</sup> Condition of Banks Throughout the Union. (34 Congress, 1 Session, House of Representatives, Document No. 102, Washington, 1856), 158.

<sup>143</sup> Milwaukee Daily Sentinel, June 24, 1853, June 28, 1853, July 19, 1853.

<sup>144</sup> Washburn to J. P. King, December 11, 1854, Woodman Papers.

profitable, total capitulation to Smith's terms and abiding by them became the general rule. Around Chicago, Milwaukee and Cincinnati, where railroads and canal companies were in need of funds, the Atlanta currency had rapid distribution, and the banks became more and more creatures of Smith.

In the lead district, however, the Atlanta notes were given a light reception.<sup>145</sup> The small amount in circulation was paid out and supported by James Carter and Company, which acted as Smith's agent.<sup>146</sup> Since Smith determined to replace all western currency by his own, he naturally collided with the Bank of Galena and the Wisconsin Bank. The two banking institutions refused to comply with his request, and he began collecting currency in preparation to run the banks and demand specie. However, the Atlanta currency manufacturer overlooked one point; namely, that the peculiarity of the peculiarity of the lead trade, which required gold, provided ample security for the notes of both banks.<sup>147</sup> Washburn feared that his Hallowell circulation, quite large in the West, might fall into the hands of the Chicago banker, and warned Sidney Washburne to fortify the bank with gold in anticipation of a run, but under no circumstances to delay payment.<sup>148</sup> Such an action would be a victory for Smith. No doubt Washburn

<sup>145</sup>Daily State Journal, September 13, 1854, quoting Galena Advertiser.

<sup>146</sup>Andreas, History of Chicago, 2: 617.

<sup>147</sup>Mineral Point Tribune, August 21, 1855.

<sup>148</sup>Washburn to A. S. Washburne, August 27, 1855, Woodman Papers.

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hoped to replace Atlanta with Hallowell.

The strategy adopted by Smith was soon taken over by Washburn and Woodman, and the Corwith Company. These two firms united in a concerted effort to drive the Atlanta currency from the lead district. They had in their favor the dislike by miners for any paper, so no small support was rendered by individuals. However, many of the smaller banks, mostly on the fringe of the region, had already capitulated to Smith, and, doubting the success of the campaign, remained loyal. In August, 1855, the men collected \$147,900 of Georgia money and presented it for payment. A few days later an amount "considerably over two hundred thousand dollars" was dispatched by the Bank of Galena. Charles L. Stephenson, who carried one bundle of bills, was kept twenty days in Atlanta, while the bank delayed payment by counting and recounting the gold dollars. The delay served to increase the anger of the anti-Georgia forces, and Georgia attorneys advised protest of unpaid notes at

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<sup>149</sup>Op. cit.

<sup>150</sup>Ellis B. Usher, Wisconsin: Its Story and Biography (5 vols. Chicago, 1914), 3: 477.

<sup>151</sup>Mineral Point Tribune, August 28, 1855, quoting the Galena Advertiser.

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the close of each day. About a week later, Congressman E. B. Washburne, together with a teller from R. K. Swift and Company, Chicago, presented a hundred thousand dollars. At the end of the banking day, the institution had paid only twenty-nine thousand dollars, and Washburne protested the remainder. The bank's legal counsel advised arrest and holding the Congressman for bail, but the next day the officers paid the remaining notes without delay. This action seemed to harm Smith's prestige. So heavy and continuous were the presentments that the closing of Atlanta seemed a matter of days. Atlanta fell better than five percent in Galena, as the circulation grew less daily.

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It was in Chicago that Smith marshalled his forces to break the cabal. At first, the bankers in that city hesitated to join the war on Atlanta, but seeing the success the lead region bankers had in the battle, not to say the profit in the transactions, the Chicago banks readily joined

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<sup>152</sup>E. B. Washburne to Woodman, September 17, 1855; Woodman to E. B. Washburne, October 8, 1855, Woodman Papers.

<sup>153</sup>Washburn to Woodman, September 23, 1855, Woodman Papers.

<sup>154</sup>Woodman Scrap Book; Usher, Wisconsin: Its Story and Biography, 3: 477; Andreas, History of Chicago, 2: 617; Washburn to C. D. Cook, October 5, 1855, Washburn Papers.

<sup>155</sup>E. B. Washburne to Woodman, October 8, 1855; Woodman to E. B. Washburne, October 9, 1855, Woodman Papers.

<sup>156</sup>Mineral Point Tribune, September 25, 1855.

the campaign, some, however, without properly protecting their circulation with gold. This gave Smith the opportunity to play his trump card. One such member of the Chicago pool was the Marine Bank of that city. Silently, Smith collected about a hundred and twenty-five thousand dollars of Marine currency and threatened to present it for payment unless the bank withdrew from the pool and passed Georgia notes at par. Confronted with this unpleasant situation, President Scammon, in 1855, signed an armistice with Smith, and agreed to accept Georgia paper, to stop presenting it for payment, and to exercise forbearance toward him. Smith, in turn, consented to slowly put the Marine notes into circulation. <sup>157</sup> The action frightened some other pool members who suspected Smith might run them; therefore, a general laxness prevailed among most Chicago bankers, and the forces there tended to disintegrate.

After triumphing over the Chicago pool, thus dividing the forces arrayed against him, Smith turned to the lead district for the next contest. He could not threaten the Corwith bank by presentment of paper, since it was always well fortified with gold, a commodity the concern used in lead transactions. Indeed, each attempt made caused little disturbance in the Bank of Galena. The Wisconsin Bank at Mineral Point offered a lesser opportunity, for by the time Smith turned in that direction, Washburn and Woodman had

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<sup>157</sup> Andreas, History of Chicago, 2: 617; Woodman to N. Corwith and Company, November 28, 1855, Woodman Papers.

dissolved partnership and had agreed to close the bank. So united were the two concerns that each accepted the paper of the other at par, and paid gold whenever demanded. Smith, therefore, saw no opportunity of splitting his adversaries into two groups by attacking their respective currencies; consequently, he was constrained to find a newer method of approach. He believed, however, the only vulnerable spot was the Bank of Hallowell whose circulation in the West had reached a handsome figure. Since Washburn maintained local redemption stations at Galena and Mineral Point, there would be no need of presenting the circulatory notes at the home office, but only to pass them through Mitchell at Milwaukee or Carter at Galena for presentment. The first drafts were cheerfully paid at the Bank of Galena, and feeling little could be gained by moving in that direction, Smith made overtures directly to Washburn. The former consented not to sort Hallowell bills at his Chicago office, or to present them for payment, provided the latter would withdraw from the pool, threatening presentment of paper if he failed. Washburn refused, declaring he would continue the fight until all Georgia paper was driven from the West. In the wake of this declaration, no presentment followed it, having

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<sup>158</sup> Washburn to George Smith and Company, November 27, 1855; Woodman to Stephenson, August 17, 1855; Woodman to Sam Marshall, August 17, 1855, Woodman Papers.

utterly failed before, but instead Smith made overtures directly to the Bank of Hallowell, and in the fall of 1855<sup>159</sup> was coldly received.

Although Washburn, Woodman, and the Corwiths led the attack against Smith, a large amount of support came from residents of the district. County organizations on both sides of the state line refused to accept it.<sup>160</sup> At the state fair of Wisconsin, in the fall of 1855, the farmers and mechanics in a general meeting passed a resolution to refuse all Georgia paper.<sup>161</sup> The Madison Republican press claimed the people of the state owed Washburn a debt of gratitude for his attempts in ridding the state of the cheap Georgia paper. Doubtlessly, the action taken by Washburn contributed quite a few votes, and it is little wonder that he became concerned over the report that Hallowell had failed.<sup>162</sup> The strong antagonists Smith encountered in the people of the lead district, without a question, led to the disposal of the Atlanta Banks.<sup>163</sup> In 1857, Smith returned to Great Britain and lived the remainder of his life without further business activities. In the meantime, when Atlanta left the field,

<sup>159</sup> Washburn to A. S. Washburne, August 27, 1855, Woodman Papers.

<sup>160</sup> Woodman to N. Corwith and Company, September 29, 1855; Woodman to E.B. Washburne, October 9, 1855, Woodman Papers.

<sup>161</sup> Woodman to E.B. Washburne, October 9, 1855, Woodman Papers; Woodman to Marshall and Ilesley, October 10, 1855, Washburn Papers; Daily State Journal, October 9, 1855.

<sup>162</sup> Daily State Journal, October 8, 1855.

<sup>163</sup> Andreas, History of Chicago, 2: 617.

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all types of foreign paper flowed into the Northwest. After meeting with such success in the war on Atlanta, bankers began to treat the money as equally as worthless, and shipped it homeward. Contrary to Washburn's earlier anticipation, Hallowell did not fill the trade channels of the Northwest, but suffered the same as other foreign paper. The lake coast bankers seemed particularly hostile to it, and had not Marshall and Ilsley passed it at par, the Bank of Hallowell would have been faced with runs equal to those from Suffolk. To give it more stability and fluidity, Woodman suggested redemption in New York.<sup>165</sup> The cancellation of all Maine charters, called for in October, and the panic of 1857, determined Washburn's course. The panic struck with such force that had not Congressman E. B. Washburne come to the Bank's support, it would have failed. As it was, the difficulty encountered by collecting the outstanding promissory notes, mostly western, forced Hallowell in New York City down to twenty-five to forty cents on the dollar.<sup>166</sup>

Curiously, despite the fight against Smith forced a withdrawal of the cheap paper, the financier was not forgotten.

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<sup>164</sup>Woodman to R.K. Swift and Company, April 21, 1856, Woodman Papers.

<sup>165</sup>Woodman to Washburn, February 11, 1856, Woodman Papers.

<sup>166</sup>Woodman to Daniel Thompson, May 7, 1856, Woodman Papers; George Woodman to Woodman, March 21, 1857, September 3, 1857, February 5, 1858, Woodman Papers.

When the panic struck, and Illinois banks were closing because of the heavy withdrawal of deposits due to the lack of confidence, when St. Louis accepted Illinois bank notes at ninety-five and there was a paucity of circulatory notes in the state, some of the Chicago press expressed a wish that Smith might return and once more float his illegal currency. "We have no hesitation in saying," said the Chicago Democrat, "that, if George Smith were here, and had the privilege of throwing a million, or a million and a half, dollars of Atlanta or Interior money into circulation, a great deal of distress, and, perhaps, a very severe financial revulsion, would be prevented. . . . It is known that he never dabbled in stocks, that he has always avoided investments in enterprises of doubtful character. . . . He always confined his capital and circulation. . . to the legitimate objects of banking--the accommodation of the mercantile community. . . . Were he here today, he could do more to restore confidence in the community than any other man." That was, indeed, a sharp indictment of Chicago banks, but certainly a handsome compliment to Smith.

The circulative contingencies which beset Hallowell notes were not accorded those of the Wisconsin Bank. The Wisconsin law forbade the establishment of paying agencies,

<sup>167</sup> James, Growth of Chicago Banks, 1: 270, quoting Chicago Democrat, September 18, 1857.

hence the notes found a local orbit in which to travel, rarely moving outside the lead district. The two men did, in full accordance of the law, tender the notes in payment for lands, but this never endangered the circulation or threatened the bank with failure. The bank was located in a region where gold was almost the sole medium of exchange, and where personal guarantee and a signature on a note were of greater security than bonds deposited in some far away city. This situation enabled the bank to raise the means with which to withstand a run if the occasion arose.<sup>168</sup> Although the men were sharp dealers in loans and demanded their interest rates, yet the residents of the district stood ready to loan money to them, and respected their integrity.<sup>169</sup> The circulatory notes, therefore, took well in the region. The experimental twenty-five thousand dollars, backed by Wisconsin and Missouri state bonds, issued the middle of July, 1853, found favor among the inhabitants of the lead district. When the additional notes were issued they flowed into territory contiguous to Mineral Point, and found similar reception.<sup>170</sup> Such distribution aided greatly in advertising Washburn and Woodman, and noticeably increased their business.<sup>171</sup> However, the bank itself accorded little

<sup>168</sup>Woodman to George Woodman, July 17, 1853, Woodman Papers.

<sup>169</sup>Daily Argus and Democrat, October 26, 1854, October 28, 1854.

<sup>170</sup>Cyrus Woodman, cashier to Daniel Thompson, January 23, 1854, Woodman Papers.

<sup>171</sup>Woodman to George Woodman, July 7, 1853; Woodman to Ephriam Brown, May 30, 1853, Woodman Papers.

profit, for the heavy specie reserve cut into the funds  
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 available for loans.

Despite the fact that the lead and adjacent regions accepted the Wisconsin Bank notes, ominous clouds arose on the financial horizon that augured badly for the circulation and general condition of all banks. The general security and financial market in New York became quite demoralized for numerous reasons of which the speculators were partially responsible. The superabundance of capital, continually fed by foreign supplies, led to many and heavy undertakings that  
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 were rather premature. Due to the number of new banking laws passed throughout the West, a fresh impulse was given bank-

172 The following schedule shows the amount of circulating notes and reserves of the Wisconsin Bank:

Reg. notes in circulation		Due from banks	Specie
July 4, 1853	\$20,863		\$ 2,503.87
Jan. 2, 1854	43,987	\$ 110.10	7,066.62
July 2, 1854	49,998	4,916.73	14,885.71
Jan. 1, 1855	46,968	1,696.61	16,799.16
July 2, 1855	42,181	626.94	12,148.84
Jan. 7, 1856	20,939	449.59	6,359.64
		6,000.00 (with comptroller)	
Solvent bank notes	Stocks	Per cent of specie	Per cent of Sol. notes & Deposits
\$5,963.00	\$ 35,000	.12	.405
2,345.00	50,000	.16	.216
3,394.00	50,000	.298	.463
8,577.50	50,000	.357	.576
2,340.00	47,000	.288	.383
1,787.00	17,000	.303	.609

Wisconsin Bank Comptroller's Report, 1854, Appendix, schedules B, C, D, E; 1855, Appendix.

173 "Notes on the Money Market," in Bankers Magazine, 8(1853-1854): 1002-1003.

ing, and the number of banking institutions increased rapidly. Using state and some classes of rail bonds as security, some ten millions in bank notes found their way into circulation. The increase was too sudden for the actual wants of the West, and speculation and inflation were the immediate consequences. <sup>174</sup> The gold fields of California and Australia added to the supply of metal, and this served to increase the prices of commodities. The demand for foreign goods for American markets increased and importations <sup>175</sup> became excessive. Too many railroads, and some of them competing lines, were commenced when the population was too sparse to authorize such construction. Speculation was rife. "The get-rich-quick" attitude invaded the thoughts of most speculators. The air was, because of the speculative spirit, charged with dynamite, and awaited the spark to set off the explosion.

Numerous events caused a sudden reaction. The prosperity which prevailed almost universally up to the middle of 1853 had made business men expand their engagements far beyond the protection of their own resources, and were exposed to the storm which subsequently gathered. Rail frauds crept in eastern bond houses. The war in Europe created a

<sup>174</sup> "Commercial Chronicle and Review," in Hunt's Merchants Magazine, 27 (1852) : 713-720.

<sup>175</sup> "Notes on the Money Market," in Bankers Magazine, 9 (1854-1855): 493-496.

more or less money pressure abroad, and the London market felt less inclined to supply capital. Foreign goods, crowded off the home markets, were dumped on American markets at whatever advances could be obtained. Food exports fell off due to high cereal prices in the interior and a scarcity at the seaboard. The exaggerated failure in the American harvests caused farmers to hoard their surpluses. In the South, the fever epidemic, which prevailed in the vicinity of Southern ports, kept back cotton, and forced those who had contracted large foreign debts to send specie. When the general contraction came the new notes issued by the newly created western banks returned for specie that forced these banks to call bank balances from eastern reserve centers. General excitement ensued which only increased the tension. Bond prices, due to the sudden dumping of state securities on the exchange, dropped daily.

The Northwest suffered heavily. The great emission of notes from the northwest banks flowed swiftly homeward, when the contraction set in, and found the banks wholly unprepared to meet them. The banks with balances in the East withdrew them, and in addition borrowed to the extent of their credit. The credit of the banks exhausted, the state bonds were placed on the market, causing a steady decline in

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<sup>176</sup> "Commercial Chronicle and Review," in Hunt's Merchants Magazine, 31 (1854) : 716-726; William Graham Sumner, A History of Banking in the United States (A History of Banking in All Nations, 4 vols., New York, 1896), I : 423-424.

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prices.

Not serving to mitigate any embarrassment for banks was the passage of the Ohio small bill law which forbade any person or corporation to circulate either directly or indirectly the bills of any foreign bank a denomination less than ten dollars.<sup>178</sup> Such a law was but one in a series of Ohio banking laws passed to restrict Ohio banking. Ohio, prior to May, 1854, had been flooded with Indiana small notes and when the state of Ohio passed the foreign note law, Indiana bankers found themselves confronted with the redemption of several hundred thousands in small notes. Consequently, they dumped bonds on the market which generally depressed security prices.<sup>179</sup> Note-holders rushed pell-mell toward the nearest broker who purchased the paper at a ten to fifteen per cent discount. Others, less fortunate, clung to it and by consequence lost a portion of the face value.<sup>180</sup>

<sup>177</sup>New York Times, October 23, 1854.

<sup>178</sup>"New Banking Laws Passed 1854," in Banking Magazine, 9 (1854-1855): 337-340. The law was repealed under the new Republican regime March 5, 1856. Governor Chase, in the inaugural address of January, 1856, remarked, "All attempts to exclude, by penal legislation, the bank notes of other states from circulation in this state have proved ineffectual; and the public sentiment demands an increase of banking capital organized under our own laws." Charles Clifford Huntington, A History of Banking and Currency in Ohio Before the Civil War (Columbus, 1915), 211-227.

<sup>179</sup>"Cincinnati Money and Exchange Market in 1853-1854," in Hunt's Merchants Magazine, 31 (1854): 615-616.

<sup>180</sup>"Commercial Chronicle and Review," in Bankers Magazine, 9 (1854-1855): 459-467.

At Cincinnati, the pressure upon the market was, perhaps, felt with more severity than at any other point. The repudiation of Indiana notes, and the scarcity of Ohio currency cut off the usual sources of circulation, thus the bankers were without resources for their depositors. In this severe crisis, a run took place on the leading banking houses, which caused suspension of them in November, 1854.<sup>181</sup> These suspensions were followed by ones in Chicago, Cleveland, and other Mid-west cities, forcing curtailment of manufacturing programs which resulted in the laying off of thousands<sup>182</sup> of laborers.

The suspensions and the crisis in New York affected Illinois seriously. Good rail bonds went begging for takers at fifteen to eighteen per cent. Commercial paper brought as high as five per cent a month. Illinois bank notes in St. Louis fell to a severe discount of from five to ten per cent. Investors seemed unwilling to invest surplus funds in bonds after the action of the Exchange in New York. Those conditions, which depressed the market, forced the state auditor to demand additional bonds to secure Illinois paper. This led to runs; and before the end of the year several Chicago banks closed and their notes slumped twenty-five

<sup>181</sup> New York Times, October 20, 1854.

<sup>182</sup> "Financial Review of the Year 1854," in Bankers Magazine, (1854-1855): 500-511; "Commercial and Financial Aspects," in Western Journal and Civilian, 13 (1855): 1-8. The New York Daily Times, from October 1, to December 1, contains the story of the New York Exchange panic.

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per cent on the market.

By November, the panic crept into Milwaukee. A run was made on the Germania Bank which resulted in suspension; however, after a week it reopened, but not without causing great unrest in the city. Because the state bonds were adequate to secure outstanding circulatory notes, all paper was subsequently redeemed. On November 20, Kneeland and Hull,<sup>184</sup> owners of the City Bank of Milwaukee, temporarily suspended. The Whitewater Gazette proudly reported the financial crisis, at least as far as the notes of the local banks were concern-<sup>185</sup> ed, was over. At Mineral Point, where the Wisconsin Bank redeemed both their own and Hallowell, the two partners began early to fortify themselves. A diligent search was made for gold. Agents were sent among the Cornish with in-<sup>186</sup> structions to borrow gold for thirty days, but in all secrecy. Washburn, immediately after his election to Congress, left for New York to raise specie for the bank, while Woodman sat at Mineral Point solemnly declaring that "between this time

<sup>183</sup>James, Growth of Chicago Banks, I: 234-243.

<sup>184</sup>Wisconsin Daily State Journal, November 20, 1854; November 29, 1854; Milwaukee Daily Sentinel, November 1, 1854 to November 30, 1854.

<sup>185</sup>Milwaukee Daily Sentinel, quoting the Whitewater Gazette, November 27, 1854.

<sup>186</sup>Woodman to George Messersmith, November 17, 1854; Woodman to Ben. C. Eastman, November 21, 1854; Woodman to D. Morrisen, November 26, 1854, Woodman Papers.

and the first day of July next," he would be out of the banking business. <sup>187</sup> Marshall, of Madison, had formerly accepted Hallowell money upon the personal guarantee of Washburn, but now clamored for redemption, and Woodman called upon the Bank of Hallowell to prepare to meet <sup>188</sup> Marshall's draft. The Wisconsin Bank encountered little difficulty. The story that a person lost a large amount of the Bank's bills when the Franklin House burned November <sup>189</sup> 26, 1854, proved false, and the partners breathed easier.

The crisis in the western states profoundly affected the New York market. when state bonds, backing millions of western and southern notes were dumped on the market. The ultimate result was a depreciation in the price of state bonds. Circulatory note holders, demanding gold or eastern exchange, forced withdrawal of New York reserves, or the sale of securities by banks generally known as strong institutions. The securities dropped from ten to twenty per cent and state commissioners of banking, in states where notes were based on bonds, demanded additional securities. On December 1, 1854 the Wisconsin bank comptroller demanded a

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<sup>187</sup> Woodman to Charles L. Stephenson, November 19, 1854, Woodman Papers.

<sup>188</sup> Woodman to Sam Marshall, November 21, 1854; Woodman to A. S. Washburne, November 22, 1854, Woodman Papers.

<sup>189</sup> Woodman to Charles L. Stephenson, November 27, 1854; Washburn to J. P. King, December 11, 1854, Woodman Papers.

ten per cent increase in the bonds held for security, or the surrendering of ten per cent of circulatory notes. Wisconsin bonds, however, required no additional security. The Wisconsin Bank straightway redeemed \$3,000 of its notes and sent them to Madison for cancellation. <sup>190</sup> But by the middle of January, 1855, the eastern press buoyantly announced that the panic was over; "we are in the beginning of an expansion," which ultimately culminated in the Panic <sup>191</sup> of 1857.

Woodman's intention to be out of the banking business by July, 1855 became a reality when the partnership was dissolved in March of that year. Woodman had found the cares of the banking business too heavy and the profits too small to continue the arduous task of caring for and nursing the circulation. The panic of 1854 caused him to wonder if the cares of making money were worth the trials. Since Washburn had been the instigator and the spark in the establishment of the bank, Woodman rested content to turn the project over to the partner for liquidation. As soon as Washburn's

<sup>190</sup> Wisconsin Bank Comptroller's Report, 1854, 11, 22. For example, the Wisconsin Bank held Missouri, Tennessee, and Virginia bonds. On October 18, 1854, before the panic gained much headway in Wisconsin, Missouri 6's sold for 90 to 95; Tennessee 6's at par; Virginia 6's at 97 to 99. New York Times, October 18, 1854. In January 1855, Missouri 6's sold for 89½ to 90; Tennessee, 87 to 90; Virginia, 90½ to 91. "Government, State, and City Bonds," in Bankers Magazine, 9 (1854-1855): 572.

<sup>191</sup> Daily Argus and Democrat, January 19, 1855, quoting Thompson's Bank Note Reporter.

election was assured and the bank crisis eased, the partners offered the bank free of debt for \$5,000.<sup>192</sup> However, banking in the lead region, if carried on in conjunction with the land speculation, and that was greatly reduced by the creation of new land offices, called for credit quite beyond the ordinary capacity of speculative financiers. Subsequent banking houses there failed, due to lack of capital and sagacious handling of funds, which shows the financial acumen of the two partners.

Formal announcement of the dissolution was not immediately made public. The two men were in the midst of driving Georgia currency from the lead district, and could not readily announce the liquidation of the bank. The redemption of Hallowell by the Wisconsin Bank was an item of importance to the Maine bank, and Washburn wished a continuation until some definite settlement could be made there. However, by July 2, 1855, the Wisconsin Bank returned \$26,055 of circulatory notes to the comptroller for cancellation,<sup>193</sup> and disposed of all the state bonds held as security, except for \$17,000 of Missouri 6's.<sup>194</sup> On June 3, 1856, official notice of the liquidation of the bank was

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<sup>192</sup>Woodman to George Woodman, December 24, 1854, Woodman Papers.

<sup>193</sup>Wisconsin Bank Comptroller's Report, 1855, 11.

<sup>194</sup>Ibid., 16.

posted, in accordance with the statutes, and the currency redeemed by the state comptroller. After the allotted time of two years, the department declared the bank officially closed and destroyed all the notes as prescribed by law.

Although the bank ceased operating, Washburn retained the role of a private banker. The office, now in charge of Luther Whittlesey,<sup>196</sup> paid out and redeemed Hallowell, and discounted paper in a manner which won the "unqualified disapprobation" of Washburn. Despite the careful list of instructions left the clerks while Washburn attended Congress, little attention was paid them. The indebtedness to Corwith and Company increased prodigiously, while the number and amount of good loans decline proportionately.<sup>197</sup> The absence of Washburn from the business, while attending Congress or to his expanding business operations, gave him little to do with the personal management,<sup>198</sup> and by the time the panic of 1857 struck with all its fury, the demise of C.C. Washburn and Company became a certainty. Other interests, mostly the timber lands acquired by the dissolution, the water power

<sup>195</sup>Mineral Point Tribune, June 3, 1856; June 24, 1856.

<sup>196</sup>Whittlesey later, with Joel C. Squires, became interested in an institution known as the Iowa County Bank which continued, although as a separate and distinct house, the business of the Wisconsin Bank. The new bank came into existence in 1859, but failed in 1861. History of Iowa County, ed. by Western Historical Company (Chicago, 1881), 687; Leonard B. Krueger, "History of Commercial Banking in Wisconsin," in University of Wisconsin Studies (1933); 71.

<sup>197</sup>Washburn to Luther Whittlesey, March 27, 1857, Washburn Papers.

<sup>198</sup>Washburn to Woodman, June 12, 1857, Woodman Papers.

acquired at St. Anthony Falls, and the political career he had carved out for himself commanded his attention, so that Mineral Point became known, after 1860, as "the place of memories."<sup>199</sup>

The banking activities of Washburn never proved as profitable as some of his other financial undertakings. Banking, in Wisconsin after the passage of the banking act, was never as profitable a venture as under the old monopolistic system of territorial days, when charters were granted to a choice few and banks were free from any organized regulation.<sup>200</sup> Woodman complained periodically that the banking department of their business, while it increased the

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<sup>199</sup>Op. cit., October 23, 1857.

<sup>200</sup>Daily Democrat (Madison), May 7, 1855, claimed the "legitimate and certain profits of issuing bills under our banking law" at 14 per cent. Frederick Merk, Economic History of Wisconsin During the Civil War Decade (Madison, 1916), 187-189, computed the profits at 17½. "This business was eminently safe and profitable, and banks of issue naturally were plentiful." On the contrary, the state was without an adequate currency of its own. The Daily Democrat maintained that the amount of currency in circulation within the state boundary was \$5,500,000 of which but a million was Wisconsin. The vacuum was naturally on the profitable importation of foreign currency, which incurred no worries of redemption, that large banking profits were made. Such money was purchased at from 95 to 97 cents, loaned at par with suitable interest rate and re-accepted at the end of the loan period at a discount. Bankers usually passed the foreign paper and saved their own, apparently content to receive interest on the state bonds rather than float the notes.

work tremendously, never produced returns commensurate to the capital and time invested. <sup>201</sup> Washburn, upon his nomination for Congress by the youthful Republican party, spent more time in the political arena than the bank permitted; and after his election found it necessary to abandon banking altogether. The 'fifties, too, proved a bad time for banks. Two bank panics, one of sufficient magnitude to severely affect the whole North, and the other characterized as a preparation for it, swept the country and created a lack of confidence in banks. The political scene, with the slavery issue, the rise of the Republican party, and the discordant elements in state politics was far from conducive to settled financial conditions.

Yet despite the unsettled conditions the banks made a suitable profit. The Bank of Hallowell paid an annual dividend of six to ten per cent; <sup>202</sup> the latter figure was more

<sup>201</sup>Woodman to C.L. Stephenson, November 19, 1854; Woodman to George Woodman, July 17, 1853, Woodman Papers.

<sup>202</sup>Maine Bank Commissioner's Report, 1853, 11; 1855, 23; 1856, 112. October 1, 1852, 5%; April 1, 1853, 5%; October 1, 1835, [?]; April 1, 1854, 5%; October 1, 1854, 5%; April 1, 1855, [?]; October 1, 1855, [?]; April 1, 1856, 3%; October 1, 1856, 3%; Washburn to George Woodman, May 3, 1853, Washburn Papers. "The Bank has earned 10 pr.ct. the last year on her capital. . . . It is probable that the bank will not decalre more than 5 pr.ct. semi annually." The bank was incorporated March 22, 1852. Washburn owned 560 shares of the Bank. Washburn to A.S.Washburne, June 18, 1852, Washburn Papers; The following is a list of stockholders with amount of stock held by each, January 1, 1855:

	Shares		Shares		Shares
D. Benjamin	15	E. Hubbard	20	A. Leonard	50
A. Merrill	10	D. Morrison	5	Hy Reed	50
Rufus K. Page	110	John O. Page	140	S.H.Rawson & Co.	40
C.L.Stephenson	100	George Woodman	20	A.S.Washburne	5
C.C.Washburn	195	E.B.Washburne	200	J.M. Washburn	50

"Banks of Maine," in Documents Printed by the Order of the Legislature of the State of Maine, 1855 (Augusta, 1855), 16.

in keeping with the desires of the banking department, which declared that banks doing a legitimate business could not pay much more.<sup>203</sup> The Wisconsin Bank, in a report to the comptroller, reported a loss of \$647.46, July 4, 1853, and one of \$1,532.54 on January 1, 1854, probably due to the expenses incidental to organization.<sup>204</sup> By estimation, the profits Washburn derived from both banks were between \$15,000 to \$20,000. This sum was probably returned, in case of the Bank of Hallowell, to pay interest on loans at the bank, or for the specie procured for the capital stock of the bank.

The greatest profit was indirect. One reason for the organization of the Wisconsin Bank was to advertise the firm of Washburn and Woodman throughout the East, thereby enabling them to borrow more freely; and also to make themselves known over a wider area in the West.<sup>205</sup> Of the Hallowell circulation only a small amount was kept at home. A larger amount was paid out in Indiana by Page and Reed. In the lead region, the

<sup>203</sup> Maine Bank Commissioner's Report, 1855, 13-14.

<sup>204</sup> Wisconsin Bank Comptroller's Report, 1854, Schedule B, C, D, E; 1855, Schedule, G.

July 4, 1853	loss	\$ 647.46				
Jan. 2, 1854	"	1,532.54				
July 4, 1854	profit	5,259.76	(Reported as "due others")			
Jan. 1, 1855	"	6,563.41	( " " " " )			
July 4, 1855	"	4,374.09	( " " " " )			
Jan. 7, 1856	"	2,570.79	( " " " " )			

<sup>205</sup> Woodman to George Woodman, July 17, 1853; Woodman to Daniel Thompson, January 23, 1854, Woodman Papers.

Mineral Point firm and Bank of Galena carefully nursed the Maine paper. In the territory surrounding St. Paul, it found ready acceptance among the laborer and woodsmen, mostly Maine men, who had recently drifted there. In this region it was cared for by Dorilius Morrison, timber representative and partner of Washburn and Woodman, who ran logging crews out of St. Paul. <sup>206</sup> The currency of both banks was used for timber purchases, and the purchase of bounty warrants which in turn could be used for entries at the land

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<sup>206</sup> Dorilius Morrison was born in Livermore, Maine, in 1814, the son of Samuel Morrison and Betsy Benjamin, a sister of Martha Benjamin, who was the mother of Washburn. By 1854, he had, through a series of mercantile enterprises, accumulated the sum of \$20,000 which he brought West, in 1855, and invested in timber lands, mostly on the Rum River. From them, he contracted to supply the mills on the east side of the river, and subsequently to operate himself. He became associated with Washburn in the Minneapolis Mill Company and the Minneapolis and St. Louis Railroad Company. Morrison, also, was interested in flour, rail construction, and the Minneapolis Harvester Company. In his lumbering enterprises, he had much opportunity to circulate Hallowell, and endeavored to keep it from drifting too quickly to river ports for eastern exchange. Horace B. Hudson, ed., A Half Century of Minneapolis (Minneapolis, 1908), 310-312; Isaac Atwater, ed., History of Minneapolis (2 vols., New York, 1893), 2: 614-619; Marion D. Shutter and J.S. McLain, editors, Progressive Men in Minnesota (Minneapolis, 1897), 458.

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offices. The heavy borrowings of Washburn from the Maine bank, usually in currency, went into one of his several enterprises, so that in a measure it might be said his fortune was built on the eastern paper. The logging ventures on the Black, Chippewa, Yellow, and Rum rivers branched out from the banking undertakings. What a shrewd man needed in the West was capital, and Washburn got a large share of that from his banks. By the time he closed them, his credit was well established in the East and his fortune well founded. Other men followed the same cycle. It is only necessary to read the list of incorporators of Wisconsin banks in the 'fifties to notice how far this is true.

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207 George Woodman continued to act as Washburn's New York representative even after the dissolution of the firm. Ultimately, however, Woodman joined with George Woodman in the firm of C. and G. Woodman, private bankers. The Maine commissioner's report in 1854 related the effect that the redemption of Hallowell in New York at a discount had on Maine banks, and the placing it in circulation at foreign stations. Maine Bank Commissioner's Report, 1854, 8-9.

## CHAPTER V.

## TIMBER AND LUMBER OPERATIONS.

For many years the Wisconsin pineries had been known to inhabitants on the Mississippi River. Their occupancy dates back to near the middle of the 1820's when the more enterprising men established camps and cut logs which they rafted to Fort Crawford and cities along the Mississippi. At that early date little, if any, attempt was made to enter lands; more generally the system of squatting prevailed, or, the payment to Indians for trees cut. The entries that were made took place at Mineral Point when that office opened. In 1847, Dr. David Owen made a survey of much of the region, and that resulted in the establishment of two offices; one at La Crosse in 1853, and the other at Stevens Point the same year. Entries at those two places cut tremendously into the business of the office at Mineral point, but for land and timber speculators, the establishment of the land offices seemed to point out a new place for speculation.

It was not by sheer accident that Washburn and Woodman turned to the pineries as a field of speculation. They had already found a paucity of opportunities for entering settlers' lands as the population of the district increased, and had turned to adjacent districts for similar business. With the increases in population of the Mississippi Valley, pine

lands seemed as productive a source of profit as the land business. These population increases augmented the demand for logs and lumber, and close to the middle 1850's pine boards brought from sixty to seventy dollars a thousand feet.<sup>1</sup> With only a small quantity of warrants used for entering settlers' lands, the partners utilized the remainder in pine land speculation, and, since both had seen the timbered lands of New England, certainly a more lucrative source of investment. Eastern investors, quite successful in previous loans with the firm, showed a continued willingness to send surplus funds to them for investment, and in the opinion of the partners, no better opportunity remained than the virgin pine forests of Wisconsin. The firm had moved always with the frontier because they well knew greater profits existed there. It was very early, therefore, that they began to think of the pine land speculation.

When, in 1849, Washburn made his journey to New York to speculate in bounty warrants, the question of pine land was not a remote one in his mind. He discussed it with eastern men, calling attention to the enormity of the timber resources of the state and the rapid settlement of the plains region. Woodman in correspondence with eastern friends outlined the merits of the investment, and the two created a deep interest among acquaintances and relatives in the Wisconsin pineries. No less an aid was the gradual dwindling in importance of the accessible New England timber region, which by this time, was characterized by the more virile

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<sup>1</sup> A. G. Ellis, "Upper Wisconsin Country," In Wisconsin Historical Collections, 3: 435-457 (Madison, 1904).

Saco River men, who sought new places to test their ingenuity and strength, as fit only for old men.<sup>2</sup> "If you see Eph'm Brown," wrote Woodman to Daniel Thompson, in Maine, "tell him that he ought to come out and examine the pinery on the Wisconsin River. But little pine timber is entered. It nearly all belongs to the U.S. It is my opinion that with \$50,000 one might buy the timber as to monopolize the whole industry."<sup>3</sup> Although the gold rush temporarily drew the attention of the partners to a new field, the possibilities of pineries as a locality for investment did not leave them. The banking project seemed to fit the design of pine land speculation, for money, in addition to eastern funds, was necessary for the payment of land. Washburn, more than Woodman, planned that, and Hallowell currency was a common sight wherever he established a lumber camp.

The partners realized that a speculation of this kind called for a large degree of shrewdness and caution. A few acres judiciously chosen were far more important than a large number entered without any regard for accessibility to a stream or market, protection against trespassers, or the quality and quantity of the stand. Since the men pointed towards a monopoly, they were agreed that some systematic survey of the pine lands must be undertaken, and for this purpose honest trustworthy men, not given to fraud or deceit and who could accept the pledge of secrecy, were neces-

<sup>2</sup> Wm.H. Woodman to Woodman, August 18, 1852, Woodman Papers.

<sup>3</sup> Woodman to Daniel J.P. Thompson, August 23, 1846, Woodman Papers.

sary.

The two partners commissioned Ephraim Brown, who had by now come west, to make a general exploration of the Upper Mississippi and tributary rivers. Brown was gone the better part of six months, and his report was enthusiastically received by the firm. "He says," wrote Woodman to Washburn, "there are fortunes to be made in pine timber on the Chipeway and Black rivers, but comes back more fully satisfied than ever that he can do as well or better on the Wisconsin than anywhere else."<sup>4</sup> His next journey was in the vicinity of the Menomonee Purchase where he made a hasty survey of the Wolf River lands, but somehow they did not at all strike his fancy, and he returned to the shot tower with the view<sup>5</sup> of operating on the Wisconsin or some of its nearby streams. In the fall of 1852, Brown located on the north side of the Wisconsin near its confluence with the Pine River, and there built a steam sawmill in company with Woodman. Washburn refused to invest in it, so the firm became known as Brown and Woodman. The latter soon sold out to William Ketchum, who, incidentally, became a logger for Washburn on the Black River in the 1850's. Brown's mill was so located to intercept the Wisconsin River logs, and also to receive others by the short and sluggish Pine. The mill supplied the surrounding<sup>6</sup> country for a **radius** of many miles with lath and lumber.

<sup>4</sup> Woodman to Washburn, March 29, 1852, Woodman Papers; "Looking at Pine in Wisconsin," in Wisconsin Lumberman, 3 (1874-1875): 352-354.

<sup>5</sup> Woodman to Daniel Thompson, August 3, 1852, Woodman Papers.

<sup>6</sup> Woodman to Wells and Hill, October 19, 1852, Woodman Papers; C.W. Butterfield, ed., History of Crawford and Richland Counties (Springfield, Illinois, 1884), 762, 878, 994.

Brown's sweeping survey marked the beginning of more specific ones. The partners enjoyed the confirmation that Brown gave to their earlier suspicions of the lucrativeness in pine land speculation. It added to the store of knowledge provided by the Owen survey and the more or less indefinite accounts of settlers, furnishing them with information to write speculators in the East. They needed more intelligence of a definite nature to really enter the lands once the funds were secured, so they began anew their search for accurate timber cruisers. For the lower Wisconsin, in 1853, below the confluence of the Yellow with that river and the territory in that vicinity, they chose George Mertens, admonishing him to avoid swamp and overflow lands which had been recently granted to the state.<sup>7</sup> On information previously obtained by skilled parties, Washburn and Woodman had already entered three thousand acres, in the fall of 1852, on the Yellow River the source of which was in the northwestern part of Wood County.<sup>8</sup> The survey for the territory north of the Yellow, as far up as Town 32, was placed in the hands of John Kingston. This region contained what Brown had earlier characterized as the best pine in the state; therefore the partners wanted specific information, and explicitly instructed Kingston to carefully examine it. The commission called for the examination of both sides of the Wisconsin and all tributary streams, capable of sustaining log and lumber rafts, five miles from each bank, noting in a plat book each

<sup>7</sup> Washburn and Woodman to George Mertens, January 19, 1852, Woodman Papers.

<sup>8</sup> Washburn and Woodman to J.B. Thorndike, February 14, 1853, Woodman Papers.

forty acres of timber land. In addition, they asked that special attention be given to the quality and quantity of the pine timberland, so the partners outlined three grades: first rate, to scale not less than fifteen thousand per acre; second, ten thousand; third, five thousand; below that they deemed hardly worth recording but whose location was worthwhile. Moreover, the men requested a list, location, and production, if obtainable, of the mills in the district. In short, Washburn and Woodman wanted a census of the timber and timber production resources of the Upper Wisconsin. Nor was the Wisconsin the limit of the survey; for when that project was finished a commission awaited Kingston to examine the land east of the meridian on the source of the Black, while the Waupaca and Wolf, emptying into Lake Poygan, were to be surveyed by Tarbox and Douglass, who worked under Kingston's direction. The whole undertaking was to be kept secret. "No one," wrote Woodman, "is to know anything about their business."<sup>9</sup> Kingston, by the middle of May, 1853, had not made any preliminary report, and the partners began to ascertain the reason, fearing the former might have violated the trust placed in him. They requested an immediate answer to a series of questions, which exposed the purpose of the gigantic survey, and forthwith received them. Kingston agreed to exercise care in conversing<sup>10</sup> with anyone.

During the same month, the Mineral Point firm took

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<sup>9</sup> Washburn and Woodman to John Kingston, April 26, 1853, Woodman Papers.

<sup>10</sup> Ibid., May 16, 1853.

George Messersmith, chief engineer, from the Madden mine of the Wisconsin Mining Company at Dodgeville, and handed him an assignment to explore the Black and Chippewa rivers, cautioning him to hold in the strictest confidence the results of the survey.<sup>11</sup>

Shortly afterwards, they sent to Maine and procured the employment of Captain Soule, an experienced timber cruiser, and sent him into the same region with the probable intention of relying upon his judgment for an exact statement of the conditions on the lands tributary to the Mississippi. As in case of the former men, Soule was particularly warned to exercise circumspection even in Maine where men of capital and influence contemplated entering pine lands in the very district he was to explore. Unless he would swear to maintain silence, and not to use any of the information that he acquired to the detriment of the firm, his services were in no way needed.<sup>12</sup>

In the Territory of Minnesota, the survey was conducted under the direction of Dorilius Morrison at St. Paul who, as a former inhabitant of the Maine lumber region, was acquainted with the nature of timber cruising.

By the surveys conducted throughout 1853, Washburn and Woodman obtained the exact location of every tract of pine timber from forty acres upward in the valley of the Mississippi and the pine rivers emptying into Green Bay and Lake Michigan. Moreover, they had statistics showing the quality and quantity of the stand, the distance from water, the navigability of the

<sup>11</sup> Washburn and Woodman to George Messersmith, May 7, 1853, Woodman Papers.

<sup>12</sup> Woodman to Israel Washburn Jr., May 16, 1853; Wm. H. Woodman to Woodman, August 18, 1852, Woodman Papers.

streams, and the number and capacity of all mills located upon the rivers. From the land office they acquired the number, amount, and location of all the timber lands entered, as well as similar knowledge of the tracts leased by the government for cutting purposes. Except from the surveys by their cruisers, they had no way of ascertaining the number of trespassers on government property, but the location of the mills assured them of the direction in which trespassing would take place. The pledge of secrecy from the cruisers and a continual employment gave them some assurance the information was almost exclusive; for no one, to their knowledge, had yet conducted such a wide investigation. The intelligence was costly but valuable, for the partners, after spending hundreds of dollars, had information upon which they could build a fortune. It was little wonder that the banking division proved such a valuable adjunct to their business, and that the net worth of the firm kept either from withdrawing. The question with them then, however, was the utility of this vast information.

On the basis of the information obtained, the two men envisioned a scheme that might monopolize the whole lumber industry of the Upper Mississippi, and the sale of logs and lumber in the plains region. The timber region was a vast one, it being estimated, in the beginning, that the Chippewa had a stand of forty-three billion feet, the Wisconsin thirty, the St. Croix twelve and a half, and the Black nine. The last

named district was considered by far the richest with a stand of two hundred twenty-five million feet to the township, and possibly the Wisconsin the least with one hundred seventy-five million.<sup>13</sup> Although the extent of the Wisconsin pineries had been recounted frequently from the Mississippi east to the Atlantic as an unceasing source for pine lumber, by the middle of 1853, estimators calculated that over one half of all the pine lands, computed to supply the Mississippi Valley from all time to come, had been cut off. Before the survey of 1847 and until the lands were offered for sale, lumbermen depended entirely upon the government lands for getting logs, but since the lands were brought into sale very few apparently had the ability or foresight to secure land titles and thus insure a future supply for their mills. With the exception of the white pine which stood on the Allegheny River, Wisconsin contained nine tenths of all in the valley, and of that amount "not over 10,000 acres" was entered. The plan the partners had in mind was the organization of a company to buy the accessible and strategically located acres, approximately a hundred thousand, with the view of monopolizing the industry and forcing about a hundred and fifty mills to buy logs from the company. The reason for all the secrecy in the surveys was not to allow any information of the proposed monopoly to get to the outside.<sup>14</sup>

<sup>13</sup> Ellis B. Usher, History of Wisconsin: Its Story and Biography (4 vols., Chicago and New York, 1914), I:154.

<sup>14</sup> Washburn and Woodman to John T. Kingston, May 16, 1853;  
Washburn and Woodman to J. B. Merrick, April 27, 1853;  
Woodman to Daniel Thompson, August 23, 1846, Woodman Papers.

The project, in the estimation of the two men, called for the investment of some two hundred thousand dollars, an amount beyond the credit of the firm itself, and they sought this sum among eastern acquaintances, pointing out the value of the timber in ten years time as an inducement for the support of the plan. The monopolized industry, they believed, would reap unprecedented profits, especially with the increases in population in the plain regions. "The immense number of railways," wrote Washburn, "now spreading over the prairies of the West will open an entirely new world to be supplied with pine lumber; and when it is taken into consideration that the supply is so limited it appears to us that it requires but little sagacity to see our plan, if carried out, must result greatly to the advantage of those who take hold of it."<sup>15</sup>

Washburn, spending time in the East to put the Bank of Hallowell into operation, kept in continual contact with Merrick, already interested in several projects with two men, sincerely hoping that some sort of a corporation might be devised. Throughout the first quarter of 1853, the Mineral Point men sought the financial assistance of Merrick, not wasting an opportunity to call his attention to the fast slipping chance to make a fortune. He was continually bombarded with letters, facts and proposals. "Valuable pine timber," wrote Woodman, "can now be had at about \$1 per acre with land warrants. It cannot be had near railroads. If it could, the same lands would be worth from \$10 to \$50 per acres. It is the

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<sup>15</sup> Washburn and Woodman to J.B. Merrick, April 27, 1853, Woodman Papers.

opinion of the writer that \$5,000 now judiciously invested in pine lands would be worth \$50,000 in 10 years . . . . We have not felt able to buy ourselves and lay out the money so long, and to buy a small quantity will not pay for the time and vexation that we should necessarily incur." <sup>16</sup> However, other than to obtain money for investment in lands, the monopoly was never instituted. For practical reasons, a gigantic undertaking of that magnitude was limited in possibilities for success.

The scheme was studded with chances of failure existing in various forms. One of the greatest cares involved in a project of such immensity would be the protection against trespassers. One hundred thousand acres located in proximity to mills forced to pay a tribute in the form of buying logs would require an army of men, for no mill owner, long in the habit of cutting from government lands with impunity, would hesitate to step over the section line and slash timber for a summer's run. Doubtless, the presence of an agent nearby would help matters but little, for a crew of men could move in while the representative was temporarily in another location. Courts were usually favorable to the land owner, but the way to settlement was marked by delays and costs, and in the end little value might arrive from the payment. The cost of maintaining agents would in itself run into money, as the partners themselves estimated the cost to protect two thousand or more acres fully <sup>17</sup> five hundred dollars yearly. Twice that many acres, they

<sup>16</sup> Washburn and Woodman to J.B.Merrick, February 14, 1853, Woodman Papers.

<sup>17</sup> Woodman to Washburn, February 14, 1853, Woodman Papers.

estimated, would require the services of one of them, running the cost high but when considered in comparison to the result-  
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ant profits very low.

The subsequent history of lumbering in Wisconsin proves how mistaken the partners were in the timber estimates. It cannot be inferred that the men selected to conduct the surveys lacked skill; the error lay in the completeness of the work. The partners ordered only lands within five miles of a stream capable of sustaining rafts of logs or lumber surveyed, while the interior lands were quite entirely forgotten. The waterways of the state formed the highways on which the lumber was brought to market until the turn of the century, but a monopoly of the size and sort envisioned by the men could not long have lasted, for a new means of getting the logs to consumers would have been found. The concern's intention was to garner the lands closest to the waterways, probably with the thought that mill owners would buy timber from them rather than buy lands in the interior and build expensive roads to the rivers. They took into account the importance of railroads in settling the plains, but they somehow forgot the same means of transportation might have been employed to break the very monopoly they hoped to establish. Any investment in pine lands might prove profitable, but the partners could not hope to monopolize an industry during their lifetime by enclosing half the acreage.

At the time the partners were contemplating their ex-

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<sup>18</sup> Woodman to J.B. Merrick, February 14, 1853, Woodman Papers.

tensive venture, the United States had made land warrants assignable and acceptable at land offices for land. The assignability created much enmity toward the national government as well as the speculators who came to engross vast acreage in the West. Editorial opinion in Wisconsin and Minnesota, the very section in which the firm would operate, was opposed to the purchase of large holdings designed to keep the "energetic, hardy, industrious crowd of farmers and mechanics" from the land. Wisconsin attached considerable importance to the movement in 1848 to 1851, but no attempt was made by the legislature to put the opinion into law. Groups in both states leaned heavily toward some method of taxation to restrict acreage of non-residents, and that such might happen never completely died away.<sup>19</sup> It is quite likely that, notwithstanding the ability to secure other lands, or the political connections of Washburn and Woodman, a willing legislature, prodded on by disgruntled lumbermen and helping people, would have enacted some form of legislation to stop the project.

The contingency of fire might serve to keep the concern from realizing too heavy profits. The natural phenomenon might not have been the manner in which the acreage would be destroyed, for under certain conditions irate and frustrated individuals could well be destructive and charge the cause to nature. It is quite probable that the firm gave thought to these questions, since they invested heavily in timber; at

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<sup>19</sup> George M. Stephenson, The Political History of Public Lands From 1840 to 1862 (Boston, 1917), 102.

any rate, the whole project never got into reality. The apparent inability to secure appropriate capital was the main obstacle which kept the scheme from fruition. There was need to act with dispatch, in an enterprise of this enormity, in order to realize wholeheartedly the profits from the undertaking and the monopoly. Delay was costly, and probably added to the reasons for the failure to complete the project. But with the information secured by the woodsmen the two men entered lands for themselves and clients in large amounts.

In the very year the firm attempted the organization of the lumber colossus, they turned to the Wisconsin and its tributaries in speculative ventures. The Yellow River, the Juneau County tributary, became the scene of lumbering enterprises as early as 1849 and 1850. The village of Necedah sprang into existence, and in the winter of 1853-1854, there was a noticeable increase in the number of mills on the river.<sup>20</sup> Doctor Owen had characterized the lands of the upper Wisconsin "as a desert of sands, unapproachable by the agriculturists", but within ten years after the characterization almost one half the lands were sold to timber men.<sup>21</sup> Both the Stevens Point and La Crosse offices came into existence in 1853; and between July 5, 1853 and March 31, 1857, settlers and timber men entered nearly a million and a half acres in the Stevens Point district the size of which was seventy by one hundred

<sup>20</sup> John T. Kingston, "Early Exploration and Settlement of Juneau County," in Wisconsin Historical Collections, 8: 370-410 (Madison, 1908).

<sup>21</sup> Ellis, "The Upper Wisconsin Country," in Wisconsin Historical Collections, 3:437.

seventy miles.<sup>22</sup> Already Washburn and Woodman had been active in both districts, entering three thousand acres on the Yellow in December, 1852,<sup>23</sup> at Mineral Point; and a year later began more intensive investigation and entering with varied success. In December, 1853, they put a crew of men in the woods out of Stevens Point, and Washburn, accompanied by Kingston, followed them up marking and making entries. To complicate matters, Washburn and his party became too widely separated, and Roblin, of Wisconsin Rapids (then Grand Rapids), entered large tracts on Mill Creek, a westly tributary of the Yellow, that Washburn hoped his men had selected. The expedition netted him a little less than a section located on Hemlock Creek, at the source of the Yellow. The eastern bank of the Wisconsin gave little promise of success, for another competitive group cruised and entered the land before Washburn's men returned. Despairing the situation, he left Stevens Point and moved toward the Little Black and the headwaters of the Yellow River, returning to Mineral Point shortly after the first of the year.<sup>24</sup>

The activity on the Wisconsin sent the partners to other fields. The Wisconsin River pine regions were never as extensive as those on streams emptying into the Mississippi, so the men turned to western Wisconsin. More than likely the fear that they might be without lands sent them in that

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<sup>22</sup> Ellis, "The Upper Wisconsin Country," in Wisconsin Historical Collections, 3:446.

<sup>23</sup> Washburn and Woodman to J.B. Merrick, February 14, 1853, Woodman Papers.

<sup>24</sup> Washburn to Woodman, December 11, 1853, Woodman Papers.

direction, for Washburn was discouraged when he returned in January, 1854. The swiftness with <sup>u</sup> which mill owners acted in entering pine lands shows the impracticalness of the monopolistic scheme earlier proposed. Before abandoning the field entirely the men entered better than six thousand acres, mostly with warrants, in the Wisconsin Valley and on the Wolf River. These lands fell to Woodman upon dissolution of the firm. In September, 1855, Washburn bought completely the pine lands of W.H. Bradley, located on the Black and Wisconsin rivers. This purchase guaranteed cuttings for some years, and in payment for these lands Washburn gave a mortgage on the property obtained. <sup>25</sup> Trespassers damaged the lands heavily, and logs <sup>26</sup> were even taken from the river while en route to market. The Wolf and Wisconsin speculation was profitable, as Woodman <sup>27</sup> sold the former lands at ten dollars.

Washburn and Woodman's interest in the Black River pineries dates back to the first months of the partnership, but their acquaintance with them only a few months before the undertaking of extensive surveys. By the first part of 1853, Washburn was informed of trespassers on his lands along the Black, and he transmitted instructions that they be prosecuted. <sup>28</sup> All through the summer and fall selected men made minute surveys of the pine lands in the Black Valley, and <sup>29</sup> that winter Washburn spent time at La Crosse entering them.

<sup>25</sup> Washburn to Woodman, September 5, 1855; Woodman to Washburn, June 16, 1856; Woodman to Nathaniel Martin, September 14, 1855, Woodman Papers.

<sup>26</sup> Woodman to Washburn, December 19, 1855, Woodman Papers.

<sup>27</sup> *Ibid.*, December 5, 1864.

<sup>28</sup> Washburn to David Robinson, January 10, 1853, Woodman Papers.

<sup>29</sup> History of La Crosse County, Wisconsin, ed. by Western Historical Company (Chicago, 1881), 374, 403, 527-28; Spencer Carr, A Brief Sketch of La Crosse, Wisconsin (La Crosse, 1854), 16.

These lands were not exclusively entered for either of the partners, but for a company of men, including Merrick whom they approached earlier for another project. By the fall of the next year, the company had entered several thousands of acres and even sought, through Washburn, to obtain control of the falls on the Black River near a settlement by the same name. This caused great comment around the state capitol, for the project would control the water power on the river "making", said the Daily Argus and Democrat contemptuously, "the whole of that vast country tributary to him."<sup>30</sup> The power was not acquired, yet there is no doubt that the establishment of a dam at the falls would have been a profitable arrangement.

The entering of land was not accomplished without some competition. The richness of the Black River pineries and their proximity to market brought numerous bidders to the land office. A partnership, composed of the two men and Merrick, could not effect purchases at the low minimum price, and in many cases they were forced to exceed it nearly twice that sum. By the close of 1854, Merrick, who had so frequently entered other projects with Washburn and Woodman, allowed them to enter better than twenty-three thousand acres at an exact cost of \$30,046.25. In addition, nearly thirteen thousand acres were obtained with the use of land warrants at a total cost of \$13,423, or a little better than a dollar an acres. The work and care of entering was done with little cost on Merrick, and the two men had the privilege of purchase at any

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<sup>30</sup> Daily Argus and Democrat (Madison), October 2, 1852.

time. "We are to become," wrote Woodman for the concern, "joint owners with you on paying to you one half of the cost thereof and interest at the rate of eight percent per annum."<sup>31</sup> Likewise, Washburn and Woodman made similar speculative contracts with other Easterners, including their brothers, Sidney Washburne and George Woodman.<sup>32</sup> Nor did they neglect their own account, for they spent the accumulated profits of the concern to purchase land warrants for the lands, or to buy the pine lands outright. The secret of their large timber holdings on the Black and tributary streams of the Mississippi lay in the obtainment of an eastern clientele to furnish the money with the privilege of purchase, and the use of personal funds. The method was used on other streams, so by 1856,<sup>33</sup> Washburn held some forty thousand acres on the Black alone.

The incessant demand for lumber by the settlers pushing into the plains region, a product of the great expansion in rail building and reports of the fertility of soil, reflected in logging, and the streams flowing into the Mississippi as well as that artery itself were crowded with rafts destined for markets below the pineries. As far up as the Minnesota rivers these rafts came, most of them tying up at Lyons, Rock Island, or Fulton City. The cheaply purchased acres became scenes of fervid activity to get out logs, and every landholder had crews in the woods. No sooner had the

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<sup>31</sup> Washburn and Woodman to J.B.Merrick, December 31, 1854, Woodman Papers.

<sup>32</sup> George Woodman to Woodman, February 19, 1856, Woodman Papers.

<sup>33</sup> Usher, History of Wisconsin, 1:180.

Washburn and Woodman group purchased Black River lands than they began to log them. Curiously, timber agents, mostly from Maine, found employment with the Mineral-Pointers to guard against destructive trespassers who, when apprehended, were charged three dollars a thousand feet stumpage. Moreover, the agents were charged with the duty of building dams at the confluence of small streams to facilitate the movement of logs, so that almost complete control of logging operation was in their hands.<sup>34</sup> In the 1854-1855 season, they contracted for three to five million feet to be cut from four hundred acres at a cost not to exceed \$10.50 at the mouth of the Black. Logs at that point brought twelve dollars, and at the cities below usually two to four dollars more. The acreage was carefully logged, for nothing less than sixteen inches was taken, allowing thereby little waste.<sup>35</sup>

Notwithstanding the money crisis in Wisconsin and the Northwest caused by numerous happenings, not the least small bills act of Ohio and the sale of state bonds on the New York market which created a stringent money market and made gold difficult to obtain save at a high premium, the season of 1854-1855 proved quite a profitable one for logging. Workmen seemed willing to accept the cheap Hallowell money, and the supply was quite readily obtainable with the paper. The price of lumber kept up to assure a neat profit, no doubt

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<sup>34</sup> Washburn and Woodman to Plenny D. Parsons, November 27, 1854, Woodman Papers.

<sup>35</sup> Washburn and Woodman to J.B.Merrick, December 31, 1854; Woodman to Deacon Eph'm Flint, January 7, 1855, Woodman Papers.

caught in the great spring upswing and speculation which ended in the panic of 1857. At any rate, from a three million cutting, with logs at twelve dollars, a gross profit of nearly forty-five thousand dollars was realized. When the operations for the year were over the men still had one half the cutting left in the river for next year's sale. In the spring of 1855, the partnership of Washburn and Woodman dissolved, and the rich pine region of the Black fell into the hands of the former who continued the same profitable arrangement with Merrick.<sup>36</sup>

By the fall of 1855, Washburn had become the largest operator on the Black River, with locations of over forty thousand acres, and that season's cutting ran close to six million feet, or twice the amount of previous years. Prices had by then swung upward with such speculative fury that the aggregate business for the 1855-1856 season hit the hundred thousand dollar mark, and he thought seriously of building a mill at La Crosse. For that season, he engaged Isaac L. Usher, somewhat of a timber operator from the Saco River in Maine and a brother-in-law of Woodman, who, under Washburn's direction, put in two camps on the Black in Town 26, now Clark County. Usher's trek was made conspicuous by the migration of Maine and New Hampshire men from the Saco, and their subsequent return because of weather and nostalgia.<sup>37</sup>

The absence of these men temporarily made a shortage of help

<sup>36</sup> Washburn and Woodman to J.B. Merrick, December 29, 1854, October 5, 1855, Woodman Papers.

<sup>37</sup> W.H. Woodman to Woodman, August 18, 1852, Woodman Papers; Mineral Point Tribune, April 1, 1856; Usher, History of Wisconsin, 1:179-182.

but before long new crews were engaged. Despite that rather small contingency, Washburn continued heavy operations, and proudly asserted the timber on the Black equal to any.<sup>38</sup>

The appointment of Usher as manager of the Black River lands proved a poor one. The extensiveness of the holdings on the Black caused Washburn some concern and it was doubted by Woodman if his brother-in-law could handle the trust.<sup>39</sup> Usher did not spend the money allotted for the enterprise judiciously, and despite the amount of logs put in the streams, the expenses seemed to run more than were necessary. He rendered no accounts which, for a man whose business habits and economy were not above reproach, proved to be his undoing. Washburn contributed to the laxness by not insisting on cost and production sheets, and by spending months on end at Washington.<sup>40</sup> By the time the panic struck, however, Usher had become a "small time politician" with distinct leanings toward religion. He spent a great deal of time debating the question of the world's evils to the detriment of Washburn's business. He became lax in his accounts and careless in his manner and speech, so that Washburn was forced to discharge him.<sup>41</sup> After the term in Congress Washburn moved to La Crosse to give a more personal supervision of his lumbering enterprises only to find himself elected to Congress from

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<sup>38</sup> George Woodman to Woodman, February 19, 1856, Woodman Papers.

<sup>39</sup> Washburn to Woodman, February 29, 1856, Woodman Papers.

<sup>40</sup> Susannah Usher to Woodman, May 8, 1856, June 8, 1856, August 10, 1857, Woodman Papers.

<sup>41</sup> George Woodman to Woodman, August 12, 1858, Woodman Papers.

that district.

The value of the pine stumpage hit a low in 1857 from which it scarcely recovered until after the war. Meantime, Washburn began dissolving partnership relations with other holders. When Dorilius Morrison demanded settlement sometime after the panic, Washburn turned over the Rum and Apple river lands near Anoka, Minnesota in exchange for the Black and Chippewa pine acreage.<sup>42</sup> The best pine stumpage on the Black in 1858 went begging for takers at three dollars an acre.<sup>43</sup> By 1860, small operators and inhabitants considered the lumber business on the Black as "very precarious" and without profit. Logs could have been bought in the first quarter of the year cheaper on the bank than they could be cut. The smaller operators refused to log and the larger ones worked with small crews.<sup>44</sup> Production fell off about three million feet to an estimate of twelve million, and remained approximately at that figure throughout the next five years.<sup>45</sup> In June, 1863, Washburn proofed Black River stumpage at two dollars.<sup>46</sup> The next year, however, he bought 5811.73 acres on the Black from his former partner for twenty thousand dollars, a trifle better than three dollars, and gave a mortgage for it.<sup>47</sup> Dismayed by prices, economic

<sup>42</sup> Washburn to Woodman, January 1, 1858, Woodman Papers.

<sup>43</sup> Ibid., October 30, 1858.

<sup>44</sup> Isaac Usher to Woodman, February 7, 1860, Woodman Papers.

<sup>45</sup> Usher, History of Wisconsin, 1:155. The estimated production for the years are as follows:

1859	15,000,000 feet	1861	10,000,000 feet	1863	15,000,000
1860	12,000,000 "	1862	12,000,000 "	1864	6,000,000

<sup>46</sup> Woodman to W.H. Bradley, June 1, 1863, Woodman Papers.

<sup>47</sup> Woodman to S.L. Nevins, May 2, 1864, Woodman Papers.

conditions, and the war, he wrote Woodman, "what will become of me when the war ends, should I live so long, I know not . . . . I will not embark in business while I remain on earth."<sup>48</sup>

Near the close of the 'fifties, Washburn decided to shift his office from Mineral Point to La Crosse. There was nothing unusual about the change, but he must have given some thought to his old constituents. He had found little to compliment Whittlesey and George at Mineral Point; consequently, he felt no compulsion to continue them in his employ. His absence at Washington made them feel they were shouldering all of the risks and receiving little of the profits, though they "acted like children" in handling of his financial matters. The greater portion of his investment was now in the vicinity of La Crosse. The timber acreage upon the Black alone, running over forty thousand, and the Chippewa, almost a duplicate amount, were in themselves sufficient inducements. Added to this was the laxness on the part of his timber agent and manager on the Black, seemingly unaccustomed to work without minute directions and supervision. It was not amiss for him to locate closer to the St. Croix, the Rum, and Saint Anthony Falls at which places he calculated his investments in the hundred thousands. La Crosse provided swifter communication and transportation with these places. Moreover, the village was the place of residence for all large operators on the Black, an inducement hard to resist. He had thought,

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<sup>48</sup> Washburn to Woodman, December 16, 1864, Woodman Papers.

too, of building a mill at that point, and then to float the  
lumber barges down river.<sup>49</sup>

Nathan Myrick erected the first permanent building and  
began trading there in 1841.<sup>50</sup> In 1846, the population of the  
whole countryside did not exceed twenty. Two years later, the  
lands of the county came into the market at Mineral Point. In  
the summer of 1852, the first steam sawmill was built, fol-  
lowed by another in 1854, and the third in 1856. This last  
mill suffered badly in the panic of 1857, and W.J. Young, the  
receiver, moved the mill and equipment to Clinton, Iowa, a  
more likely place for a yard.<sup>51</sup> The next year, despite the  
panic, the La Crosse and Milwaukee entered La Crosse.<sup>52</sup> After  
that La Crosse grew rapidly. The circumstance causing the  
rapid growth of the village and its importance as a lumber  
mill city was the improvement of the Black River. Most of the  
logs cut for fabrication into lumber came from the Black, and  
improvement of the river became the topic of the day.

Prior to 1860, nearly all the logs cut in the northern  
forests of Wisconsin were manufactured into lumber within the  
pineries themselves. Perhaps a third of the small annual cut  
of the St. Croix and the Black was driven down the Mississippi  
to supply the sawmills along its banks in Wisconsin, Iowa,  
and Illinois. During the closing years of the war more and

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<sup>49</sup> Carr, History of La Crosse, 7-8; History of La Crosse County, ed. by Western Historical Company, 477.

<sup>50</sup> Morrison McMillan, "Early Settlement of La Crosse and Monroe Counties," in Wisconsin Historical Collections, 4:383-392 (Madison, 1859).

<sup>51</sup> History of La Crosse County, ed. by Western Historical Company, 363, 374, 403, 604; Usher, History of Wisconsin, 1:184.

<sup>52</sup> B.F. Bryant, Memoirs of La Crosse County (Madison, 1907).

more these mill owners demanded logs until northern sawmill proprietors saw a loss of markets.<sup>53</sup> The new town of La Crosse hoped to intercept much of the up river log trade, and the ease of navigating the Mississippi led mill owners to consider that town as an acceptable place for mills to fabricate Black River logs into lumber. That facility of transporting logs and lumber was not accorded the Black for while it furnished a fine quality of logs, it was one of the most difficult streams on which to operate. The driving was attended with a great deal of labor, and the floods were of short duration, quick, fast-rising torrents incapable of carrying the logs long distances. The swift rising and receding streams, augmented by numerous freshets, left logs piled in jams on the banks of the streams, and susceptible to fire in dry years necessitating patrols. So slow in moving were the logs that it was often two or three years before they got down. When this situation was connected with sandbar trouble,<sup>54</sup> it was disheartening to many operators. In addition, every sawmill owner strung a boom across the river and held up the drive as it came down from above, no matter to whom it belonged. Boom wars were prevalent, and appropriating logs was quite a common happening.<sup>55</sup>

Drivers and loggers sought to bring some order out of the chaos in 1853. At that time the Black River Lumber,

<sup>53</sup> Frederick Merk, Economic History of Wisconsin During the Civil War Decade (Madison, 1916), 91-92.

<sup>54</sup> Compiled Statement of the Lumber Trade and Manufacture for the Year 1874 (Chicago, 1875), 16.

<sup>55</sup> Usher, History of Wisconsin, 1:182.

Driving and Boom Company was organized, and the first boom<sup>56</sup> built upon the Black was at Onalaska. In January, 1857, the company sought a charter to incorporate and buy all obstructive booms in order to improve the river, but the attempt failed. In 1864, the Black River Improvement Company, an outgrowth of the 1853 company came into existence. Its inceptive capital was ten thousand dollars, but it was soon enlarged to fifty thousand.<sup>57</sup> S. L. Nevins, Washburn's agent and brother-in-law, was elected secretary-treasurer in 1864 and held the office until 1893. Washburn purchased two hundred shares of the capital stock.<sup>58</sup> The Improvement Company operated distinctly for the benefit of the drivers and loggers. Immediately it began a series of wing dams, dredging projects, and stream improvements for the purpose of running logs to the mills. The other river improvements were taken over, and a charge of forty-five cents a thousand was the fee assessed by the company. In 1867, the lumber manufacturers of Black River Falls sought a repeal of the Act of 1864, but the bill was lost in the assembly. The purpose of the repeal was to keep logs in the vicinity of the Falls for sawing, and the pretext under which they attempted repeal was that the lumber rafts could not be safely run. The company maintained that not only would the river improvements be lost by a new act, but the pine lands would decrease at least a million dollars,

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<sup>56</sup> Daily Argus and Democrat, April 4, 1853; History of La Crosse County, ed. by Western Historical Company, 604.

<sup>57</sup> Usher, History of Wisconsin, 1:183-184; Journal of the Assembly of Wisconsin, Annual Session A.D. 1857 (Madison, 1857), 748-749.

<sup>58</sup> Inventory of Washburn Estate, Bliss Papers.

and La Crosse sink into nothingness.

Several driving companies were formed to facilitate the driving of logs on the river. These were mutual corporations without capital in which none but actual loggers were interested. Lumbermen at or near Black River Falls had their own pilots who navigated the bulky rafts to the Mississippi where they were strung together. The driving associations operated upon the assessment plan, balances being prorated at the close of each season. The mutual groups naturally paid a few charged by the Improvement Company, owner of the river improvements. Washburn was a member of the Black River Logging Association, one of the larger driving companies, composed almost exclusively of La Crosse loggers, which functioned in Clark County. The system of mutual driving replaced the old independent operators and greatly reduced animosity between them. Also, it very noticeably reduced the cost. In 1870, the Black River Logging Association spent twenty thousand dollars for driving and two thousand for guarding and brought down the greatest share of the one hundred fifty million feet cut that year on the river.<sup>60</sup>

A third scene of pine land speculation was the Chippewa River basin explored in the undertaking of 1853. Woodsmen had estimated the extent and quality of the forests, and when the lands were brought into sale, the men acted swiftly and thoroughly, entering choice plots at a little more than the govern-

<sup>59</sup> Journal of the Assembly of Wisconsin for the Year 1867  
(Madison, 1867), 1266-1272.

<sup>60</sup> La Crosse Leader, March 7, 1871, quoting the Clark County Republican; History of La Crosse County, ed. by Western Historical Company, 317.

ment prices. Most of the lands were entered in company with Dorilius Morrison whose financial assistance had proven invaluable in the banking project at Hallowell and the enterprises on the Rum and allied rivers and whose eastern credit had not been tarnished by delays or protestation of notes and sight drafts. By the time the partnership of Washburn and Woodman dissolved, they had accumulated an acreage equal to that on the Black, and had begun to cut timber. Captain Soule, one of the Maine men who estimated the timber in 1853, took charge of the enterprise, and proved much more affable and economical than Usher on the Black. With the dissolution, Woodman relinquished, in the main, the acreage on the river, taking instead money for his share. The sum payable each month ran about twenty thousand a quarter until the purchase price was paid. The regularity of payment accounts, no doubt, for the rigorous pursuit of logging as it furnished the swiftest means of raising money. In the fall of 1855, the year of the dissolution, Washburn offered a portion of his Chippewa lands to Daniel Shaw for a sum reputed to be fifteen thousand, in order to meet a thirty thousand dollar obligation in Boston and to make arrangement for Woodman's installment. Both the Black and the Chippewa had been blessed with heavy rains, an item in carrying thousands of logs to the Mississippi, and Captain Soule showed ingenuity by getting his logs in a position to move, easing some, though not entirely the probability of payment. Moreover, the amount of ninety day paper from Rock Island lumbermen, nearly eleven thousand dollars, adds to

evidence that Washburn was converting pine holdings into cash rapidly. The arrangement with Morrison undoubtedly gave a certain amount of stability to Washburn; indeed, the former contributed hard work in putting out and keeping in circulation <sup>61</sup> Hallowell notes, a vital factor to the interests of both men. When the depression was at its height in 1857, Morrison and Washburn dissolved, the former deeding the lands on the Black and Chippewa for those on the Rum.

In the early fall of 1857, just before the panic struck, a steam mill was erected at Waubeek, at the foot of Nine Mile Slough, an offshoot of the Chippewa, in Dunn County. Washburn agreed to supply it with logs for five years, and the mill to saw the timber for four dollars a thousand. This gave him an opportunity to deal in sawed lumber, but so heavily did the panic strike that he was unable to market the product. Subsequently, the mill fell into Washburn's hands, and for five years represented nothing but worry and losses until he dis-  
<sup>62</sup> posed of it in 1864. John Bradford, late of the Wisconsin Shot Company, who had invested in milling property at Winslow, Illinois and was disastrously upset by the panic, went north and took charge of the Waubeek plant in 1861, but after nearly two years there, he left it when Washburn ceased operating the mill and rented it to Knapp, Stout and Company who later pur-  
<sup>63</sup> chased it. However, despite low lumber prices, the diffi-

<sup>61</sup> Washburn to Woodman, September 20, 1855, Woodman Papers.

<sup>62</sup> Washburn to Woodman, January 1, 1858, May 6, 1858, Woodman Papers; Usher, History of Wisconsin, 1:197.

culty of obtaining ample funds, and much to consternation of E.B. Washburne, he worked the Chippewa woods heavily that year with a crew of over seventy-five men. Supplies for the "army on the Chippewa" were obtained in New York City, and everyone was amazed at his ability to fight on when the panic had so crippled him.<sup>64</sup> Conditions improved little, however, but in 1863 manufacturing prices dropped to two dollars and fifty cents a thousand delivered at the mouth of the Chippewa. Notwithstanding no market, Washburn kept the mill busy with the hopes of profit. In July, a few days before the fall of Vicksburg, lumber formerly bringing only six dollars now suddenly jumped to fifteen.<sup>65</sup>

In the face of good lumber prices, Woodman advised sale of the mill as soon as expedient. In January, 1864, although logging conditions appeared good, cuttings fell short of the estimates due to the shortage of hay.<sup>66</sup> Dismayed by constant setbacks, Washburn closed out all mills, logs, and lands, with the exception of twenty-five thousand acres, to Knapp, Stout and Company, agreeing to take pay in lumber and cash. "If I can once get round home again and out of debt," he wrote, "I trust I shall find myself a wiser if not a better man."<sup>67</sup> The trade from all appearances stood Washburn well. The burden of taxes, interest rates, and the accumu-

<sup>64</sup> Washburn to Woodman, December 4, 1859; Woodman to George Woodman, November 18, 1859; George Woodman to Woodman, March 9, 1860, Woodman Papers.

<sup>65</sup> Washburn to Woodman, March 8, 1863, July 1, 1863; S.L. Nevins to Woodman, June 23, 1863, Woodman Papers.

<sup>66</sup> S.L. Nevins to Woodman, January 27, 1864, Woodman Papers.

<sup>67</sup> Washburn to Woodman, February 27, 1864, Woodman Papers; Newton S. Gordon, ed. History of Barron County Wisconsin (Minneapolis, 1922), 58.

lation of indebtedness on the property was protected by his army service. However, a part of the pay from Knapp came in lumber which skyrocketed in price soon after the war, reputedly putting him in funds to save other projects, and giving him a new start.<sup>68</sup> Yet, throughout that period of trying times he never thought himself insolvent. He was able to pay Corwith the last of his big debt in 1863; and at the same time paid W. H. Bradley twelve thousand dollars. Doubtless these payments were accomplished not by profits but by the immunity<sup>69</sup> the war granted him.

Within five years, however, he was again thinking strongly about new ventures in pine. In the meantime, he had purchased additional stock in the Minneapolis Mill Company at St. Anthony Falls, and had constructed the giant Washburn B flour mill. But near the middle of May, he and Woodman again entered Chippewa pine speculation. By a careful formation of a ring composed of Knapp, Stout and Company and other operators, Woodman was able to purchase the acreage<sup>70</sup> wanted at two dollars and five cents. Perhaps the ease with which the men obtained the acreage in conjunction with other lumbermen served as an inspiration to consider anew schemes to monopolize pine lumber in Wisconsin. The opportunity this time offered itself in the control of the Beef Slough Boom

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68 Washburn to Woodman, December 16, 1864, Woodman Papers; Usher, History of Wisconsin, 1:197.

69 Washburn to Woodman, March 8, 1863, Woodman Papers.

70 Washburn and Woodman, May 21, 1869; Woodman to Washburn, March 8, 1869, May 28, 1869; George Woodman to Woodman, June 8, 1869, Woodman Papers.

Company. By controlling the boom company, Woodman reasoned, they stood well to monopolize lumber and logs on the river. They envisioned a gigantic plan of organizing a corporation, capitalized at five hundred thousand or a million dollars, to control the boom and at least a hundred thousand acres. The proposal called for the assistance of Knapp, Stout and Thorp, large producers, to gradually abandon sawing at any place save at Beef Slough to insure the location only at that place. Moreover, complete control of the taxes on the land was planned. "It is of no use to move there unless you can move strong and combine influences enough to control the river as far as it legitimately can be done and to control town and county offices so as not be gouged in the way of taxation,"<sup>71</sup> wrote Woodman. But this scheme was never realized; more than likely it was due to the magnitude of the Minneapolis venture.

Similar improvements to those on the Black were undertaken by the Chippewa River Improvement Company chartered on March 21, 1856 by the Wisconsin legislature. One of the fifteen incorporators was C. C. Washburn, whose name doubtless lent prestige to the petition. The grant gave them the right to dam all bayous and sloughs and to confine the river to its natural channel. It was not to levy a toll on any rafts or boats going up and down the river. The latter clause is interesting; for by it lumber manufacturers far up the river could ship rafts down without molestation. No great

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<sup>71</sup> Woodman to Washburn, August 22, 1869, August 10, 1870, Woodman Papers.

improvement was ever undertaken, but "it is fair to assume that some effort was made, especially in low water, to better the worse spots . . . . "<sup>72</sup> Quite by contrast, the Beef Slough Manufacturing, Booming, Logging, and Transportation Company, chartered in 1866, spent a sum exceeding the two million mark in improving Beef Slough for holding and sorting logs from the Chippewa. It was this corporation that the former partners sought to obtain in the late 'sixties.<sup>73</sup> A parallel concern found organization in Minnesota, a seat of Washburn's logging business. In 1856, the Mississippi and Rum River Boom Company was formed with a capital of fifteen thousand, and it absorbed the Mississippi River Boom, and the Saint Anthony Boom Company organized in 1851. By 1874, the Mississippi and Rum had increased its capital to a hundred thousand dollars.<sup>74</sup> In 1857, the St. Croix Boom Company was organized and built its first boom at Osceola, but in 1866 the company moved it to Stillwater. The St. Croix was never as productive as the other lower Wisconsin streams, scaling in its best year slightly over two hundred million feet.<sup>75</sup>

At the half century mark, the St. Croix pineries had achieved somewhat of a public recognition when newspapers called attention to the fact that thirty-nine mills, cutting that many millions of feet of lumber, and employing eight

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<sup>72</sup> Burlington Post (Burlington, Iowa), November 8, 1930.

<sup>73</sup> Usher, History of Wisconsin, 1:194.

<sup>74</sup> Horace B. Hudson, A Half Century of Minneapolis (Minneapolis, 1908), 301; "The Lumber Trade and Manufacture of 1874," in Wisconsin Lumberman, 3 (1895):395-425.

<sup>75</sup> Wm. H. G. Folsom, "History of Lumbering in the St. Croix Valley," in Collections of the Minnesota Historical Society, 9:291-314 (St. Paul, 1901).

hundred men at wages from sixteen to thirty dollars a month, were operating in the Willow River land district.<sup>76</sup> Six years later, DeBow's Review, to show the quantity of pine timber cut in the Upper Mississippi, repeated a story that a Taylor's Fall resident offered to cross the St. Croix on horseback upon the logs "which in some places absolutely covered the face of the stream."<sup>77</sup> It was in 1853 that the two partners along with Morrison entered lands on the St. Croix and Apple rivers. The greatest entries, however, were in the St. Paul area on the Rum River. The rapidity with which the Mineral Point men turned to Minnesota was no doubt prompted by Washburn's failure on the Wisconsin, for he admonished Woodman to send all available warrants "to La Crosse and Morrison".<sup>78</sup> At least, at the advent of Morrison in the St. Anthony region and the failure of the Wisconsin project the purchase of land on the Upper Mississippi tributaries began.

By the end of 1853, the number of acres in the hands of the concern approximated sixty thousand, and still had promises of increase. A meeting of the three men could almost be universally divined as the beginning of a new conquest. The scarcity of money and the apparent strained credit seemed the only deterrent to more pine land accumulation. All Hallowell

<sup>76</sup> "Editor's Table", in Wisconsin Farmer and Northwest Cultivator, 2 (1850):45.

<sup>77</sup> "Minnesota and the Northwest", in DeBow's and Industrial Resources, Statistics, etc., 21 (1856):71-78

<sup>78</sup> Washburn to Woodman, December 11, 1853, Woodman Papers; Isaac Atwater, History of Minneapolis, Minnesota (2 vols., New York, 1893), 2 :587.

under the old capitalization had been utilized, and even though Maine granted an increase some degree of circumspection had to be exercised.<sup>79</sup> They very boastfully announced the purchase of Rum River lands, and then set about to protect them from trespassers. "The subscribers," ran the newspaper announcement, "having purchased of the United Pine Timber Lands situated upon the Rum river and its tributaries, in Minnesota Territory, (with the exception of a small quantity purchased by other parties) give notice that no person will be permitted to cut timber upon said lands . . . ." <sup>80</sup> The number of agents on the location and the presence of Morrison reduced trespassing to a minimum. However, in its place, tax assessment became a problem. Minnesota apparently still rankled from the decision of the National Government to make land warrants assignable, a wrong she proposed to right by taxation, and make a high assessment on the channel for recourse without stirring the local officers to anger, and re-<sup>81</sup>luctantly paid the taxes.

In 1855, when the firm of Washburn and Woodman dissolved, the pine lands on the Rum and Upper Mississippi fell to the former. The latter, always skeptical of the Minnesota<sup>82</sup> investment, felt no regret in releasing these lands. Meantime, Morrison had erected a mill in connection with a David Lovejoy, and Morrison and Washburn took the contract to supply

<sup>79</sup> Woodman to J.B.Merrick, October 31, 1853; Woodman to E.W. Farley, January 26, 1854; Woodman to Daniel Thompson, February 9, 1854; Woodman to Francis O.Watts, April 19, 1854, Woodman Papers.

<sup>80</sup> Woodman Scrap Book, a clipping dated November 12, 1853.

<sup>81</sup> Washburn and Woodman to D.Morrison, November 20, 1854, Woodman Papers.

<sup>82</sup> Woodman to Jacob B.Merrick, December 1, 1855, Woodman Papers.

it. The 1855-1856 season proved a profitable one, for much of the dressed lumber was utilized at home, and the remainder brought average prices at the Mississippi port cities.<sup>83</sup> By the middle of 1857, production ran to one hundred twenty-five thousand daily and disposal became more of a problem, especially with Lovejoy not enjoying the confidence of the partners, and none too good business at the yards below. It was the controversy with Lovejoy that prompted the closing out of the holdings there.<sup>84</sup> At the same time, Washburn saw the possibilities of the water power at St. Anthony Falls, and Robert Smith, failing to procure money for the improvement of the west side, proffered his stock to local buyers, among whom were Washburn and Morrison. In 1857, young W. D. Washburn became the agent for the Minneapolis Mill Company, and the sawmill of Morrison turned out millions of feet of lumber with the power from the dam. The panic of the same year forced such a curtailment of production at Saint Anthony that Washburn did little in the woods, though work on the dam at the Falls continued unabated.<sup>85</sup> At the close of the year, Morrison and Washburn dissolved, and in the main, the Chippewa and Black pine lands fell to the latter. However, some lands, originally placed in Woodman's name and left there as security for loans, lying in the southern part of Morrison County, remained under Washburn's control so he was never free of lumbering interests on the upper Mississippi. There is little doubt that the pre-

<sup>83</sup> Washburn to Woodman, November 7, 1856, Woodman Papers.

<sup>84</sup> Ibid., June 12, 1857.

<sup>85</sup> Ibid., September 22, 1857.

cariousness of Washburn's business lends meaning to the late<sup>86</sup> dissolution, for many felt he could not long remain afloat.

The war years and those immediately following found curtailed production in the Washburn pineries. They were not years in which trespassing was quiet, for W. D. Washburn and Company, in charge of the northern timberlands in this period, reported an excessive amount taking place.<sup>87</sup> With Washburn deeply engrossed in flour milling, and later railroads, the timber lands became neglected in that area. W.D. Washburn purchased the surplus cut lumber and retailed it in ports below. The acreage soon fell to the same individual and taxes save on land outside Minneapolis were now at a minimum. By 1870, scarcely any timber lands in that region remained in Washburn's hands.<sup>88</sup> The name W.D. Washburn and Company was,<sup>89</sup> by that time, the large lumbering concern at Minneapolis.

The financial crisis of 1857 had a dire effect upon the lumbering industry of Wisconsin. For the period of a few months before the panic, the lumbering industry felt slight tremors of it, but few operators seemed to give much heed. There are numerous reasons for the crisis, every one with its distinctive emphasis. The gold discovery in 1849 set in motion a fever of speculation which culminated in 1856, and the same year the Crimean War which produced an artificial stimulation ended. In foreign countries the general speculative mania took the direction of investment in industry, while in the

<sup>86</sup> D.Morrison to Woodman, September 2, 1858, Woodman Papers.

<sup>87</sup> W.D. Washburn to Washburn, May 1, 1869, Washburn Papers.

<sup>88</sup> Ibid., March 14, 1869, July 1, 1869; W.D. Washburn to S.L. Nevins, February 8, 1869, Washburn Papers.

<sup>89</sup> "Statistics of Minnesota, Report of the Secretary of State," in Executive Documents of the State of Minnesota for the Year 1869 (St. Paul, 1870), 880.

United States it seemed to center around excessive rail-building into sections where there was little need for them. To aid the state in attaining a high degree of transport facilities, legislatures outdid themselves in using bonds. The bonds went to furnish a credit basis in many states for paper money, issued on fictitious or exaggerated values. The obtainment of the money and the increase in bank capitalization, pyramiding one on the other contributed no less to the great speculative fever. Stocks and bonds moved uneasily on the market, caused, said the New York curb and market dealers, by the decision of western mercantile agencies to put funds in land rather than remit to eastern creditors.<sup>90</sup> And then on August 24, 1857, the Ohio Life Insurance and Trust Company failed, followed, within a few weeks, by numerous bank failures. J.H. Carter, of Galena, stopped payments, and lost eighty thousand dollars in the Ohio Life.<sup>91</sup> Merchants went into bankruptcy, sales fell off, speculation ceased, and railroad building stopped.

In the lumbering section the speculative craze encountered no extenuating conditions. Lands were greedily bought by speculators who were imbued with the thought that the pyramiding would continue indefinitely. Doubtless, the assignability of warrants was the greatest contributing factor to the intense feeling, but it would be erroneous to assign it to that

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<sup>90</sup> George Woodman to Woodman, May 16, 1857, Woodman Papers; "The Convulsion in America," in American Railroad Journal, 13 (1857): 757.

<sup>91</sup> George Woodman to Woodman, October 8, 1857, Woodman Papers.

cause alone. The general conditions aided, and the people of the state were as anxious "to get rich" as anyone. At any rate, in 1855, new lands were opened on the Chippewa, and thousands flocked there for the sale. Washburn took twelve thousand acres, while others duplicated or excelled that figure. Some millowners in order to stem the invasion had employees pre-empt lands, and then bought them at a trifle over government price. Groups of local and foreign landbuyers gave no thought to the accompanying questions of taxation and protection. Within two years the mill at Nine Mile Slough, built to realize the investment on lands, fell into Washburn's hands. The time proved inopportune, and after a rather sickly existence, he sold it to Knapp, Stout and Company. Others were not so fortunate as taxes soon ate up surplus margins. Nor did the weather furnish any aid to those who, like Washburn, sought to pay for the acreage by logging a portion of it, for the lack of rainfall kept lumber rafts from plying the river. On July 6, 1855, a terrific rainstorm, lasting thirty hours, swept logs, driftwood, booms and piers ahead of it. Some twenty-five million feet lay on the banks and in the sloughs up and down the river. That marked a heavy loss for the loggers.<sup>92</sup>

It nature rendered Washburn and other loggers quite helpless on the Chippewa in 1856, the inceptive marks of the crisis continued to play havoc. Indeed, the fall of prices

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<sup>92</sup> Thomas E. Randall, History of the Chippewa Valley (Eau Claire, 1875), 44-62; Usher, History of Wisconsin, 1:197; George Forrester, ed. History of Chippewa Valley, Wisconsin (Chicago, 1892), 83.

in the middle of 1856 seemed to presage the gigantic slump the next year. Log prices dropped two dollars over the previous year's average, from sixteen to fourteen at Illinois ports.<sup>93</sup> By the end of the year, they went lower, and Washburn concluded not to log the Black that year, but to clean the stream and to supply the Saint Anthony mills whose dressed lumber brought a high local price. The prospects for a heavy emigration upstream seemed to be the only bright spot for him. On a portion of his holdings at Minneapolis he realized a margin of eight thousand dollars.<sup>94</sup> By the middle of June 1857, the price of logs was steady but sales were made solely on credit, a prospect none too good for an enterprise that demanded nearly a hundred thousand dollars a year to operate on one stream. The terms of the credit proved most annoying, for the sale of the lumber sawed from the logs was to reduce the indebtedness, and the sales were practically nothing at the Iowa-Illinois ports.<sup>95</sup> St. Louis had better prospects, when the Kansas Territory and the Utah war made a great demand, but the stringency of the money situation hindered that yard from being any more than a dream.

Except at Saint Anthony dressed lumber brought a poor price. At the mouth of the Black the price dropped from twenty to sixteen dollars between November, 1856 and January,

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<sup>93</sup> Usher, History of Wisconsin, 1:181.

<sup>94</sup> Washburn to Woodman, May 1, 1857; Susannah Usher, to Woodman, December 22, 1856, Woodman Papers.

<sup>95</sup> Ibid., June 12, 1857; Washburn to G.S. Boynton, July 8, 1857, Washburn Papers.

1857, a drop from last year's average of twenty-five cash. Even at the former figures it had few takers. Money brought five to eight percent interest per month. Farm prices dropped precipitately, lowering the demand and price of farm produce. Under such conditions, Washburn's theory of turning immediately lumber and logs into cash fell short of realization for there was no market. For him the depression had set in.<sup>95</sup>

Notwithstanding an assertion by Washburn that the speculative mania could not last long, the crash in August and September found him quite unprepared. An enormous amount of logs and lumber, mostly from Saint Anthony, lay in the river at the Mississippi ports of Lyons, Keokuk, Muscatine, and Clinton, and he was unable to "raise a dime". The mill at Waubeek had an excessive pressure on him. The financial crisis made it difficult for all newly established towns to exist, and the crushing interest rates curtailed investments to such an extent that most new cities represented a loss to both borrower and lender.<sup>96</sup> Two notes in New York went to protest. Bank of Hallowell was closing up, and had it not been for E.B. Washburne the institution would have gone bankrupt. As it was, its paper sold from twenty-five to forty cents in New York. The tax burden increased while the value of the property depreciated from fifty to one hundred percent, and the opportunities for payment, because of the economic conditions, were practically none. Specie and eastern exchange sold at ten to fifteen percent. The

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<sup>95</sup> Washburn to Woodman, June 12, 1857; Washburn to G.D. Boynton, July 8, 1857, Washburn Papers.

<sup>96</sup> Washburn to Woodman, November 7, 1856, Woodman Papers; Usher, History of Wisconsin, 1:181; Augustus B. Easton, ed. History of St. Croix Valley (2 vols., Chicago, 1909), 1:301.

West was bare of money.

The dire economic conditions called for a policy of re-trenchment and liquidation, a process made highly difficult by Washburn's absence to Congress. Already he had closed out the Saint Anthony lumbering concern and had adopted a plan of little cutting on any of the rivers.<sup>98</sup> He closed his Mineral Point

office, since 1855 in the hands of the incompetent Whittlesey and George, and moved to La Crosse under the pretext of that city being closer to his interests.<sup>99</sup> "I intend to curtail,

and will do it as soon as I can with safety," he wrote Woodman, but at Saint Anthony Falls, he laid plans for a new conquest in water power.<sup>100</sup> "I must make up my mind," he said earlier,

"to wade with the water up to my mouth and ears for months to come."<sup>101</sup> The pressures of heavy taxes and interest sent him

searching the entire United States for funds, in which he succeeded only to extend his indebtedness. Such a paralysis in business he had not witnessed before. It tried his patience. "You probably think . . . that it is a very easy matter to sell logs and get your pay. If you would try it once," he wrote Morrison, "you would probably be satisfied. You know how bad it is at St. Anthony but think that all other places are over-

flowing with money."<sup>102</sup> The load that weighed him down, he wrote was "worse than the pack of Bunyan's Pilgrim."<sup>103</sup>

<sup>97</sup> Washburn to Woodman, May 1, 1857, October 23, 1857; George Woodman to Woodman, October 8, 1857, October 30, 1857, Woodman Papers; Theodore Potter, "Minnesota Experiences," in Minnesota History Bulletin 1 (1915-1916): 419-522.

<sup>98</sup> Usher, History of Wisconsin, 1:156.

<sup>99</sup> Washburn to Woodman, May 6, 1858, Woodman Papers.

<sup>100</sup> Ibid., January 1, 1858.

<sup>101</sup> Ibid., October 23, 1857.

<sup>102</sup> Washburn to D. Morrison, July 13, 1858, Washburn Papers.

<sup>103</sup> Washburn to Woodman, May 6, 1858, Woodman Papers.

There is little questioning the fact that low price of farm products diminished the chances of selling lumber. The wheat crop of 1857 was a large one in Minnesota and Wisconsin, but the influx of Russian wheat into Europe after the Peace of Paris curtailed American export and thus greatly reduced prices. The western lumber industry could not dispose of the manufactured product; consequently, there was no activity. Labor, at that time, was easy to secure, but in the face of low markets, the loggers could not use them. In the valley of the Chippewa, laborers turned to farming, and in the fall of 1858, despite low prices, shipped wheat to the outside. Men agreed to log for the feed of themselves and stock, and wait until the lumber was sold before receiving wages.<sup>104</sup> Also, they worked with the fear of being discharged, while formerly they had made the most extravagant demands.<sup>105</sup> Washburn did no more than he was obliged to in the 1857-1858 season. He awaited the general liquidation.

The economic conditions surrounding the lumbering industry showed little promise until 1865. The intervening eight years were punctuated with high prices, prompted by the turn of the war, but the gains remained for no long period. Production dwindled and purchases kept pace. An upswing of business occurred in 1863. Washburn found his logs in the Chippewa basin brought fifteen dollars, where in the previous year six was considered good. Stumpage on the Apple and Rum netted

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<sup>104</sup> Ephraim Brown to Woodman, March 24, 1858, Woodman Papers; Randall, Chippewa Valley, 74.

<sup>105</sup> Washburn to Woodman May 6, 1858, Woodman Papers.

him two dollars. The prospects were the best in years,<sup>106</sup>  
 but river conditions were bad. Low water stopped even the  
 passage of the steamers on the Mississippi, and the demands  
 did not seem to bear out earlier suppositions.<sup>107</sup> Yet, despite  
 those handicaps, Washburn hoped to be free from debt by  
 January, 1864, and he anticipated purchases of Michigan pine.<sup>108</sup>  
 The next season saw a prodigious increase in lumber and pros-  
 pects for that year augured well, but the first quarter of  
 1865 found a tremendous drop in price, costing Washburn fifty  
 thousand dollars.<sup>109</sup> He resigned from the army and returned  
 to La Crosse.

Washburn's financial affairs throughout the eight years<sup>110</sup>  
 were in a precarious condition. Notes went to protest.  
 Members of the family exercised great patience, but occasionally  
 burst forth with bits of advice and chastisement. E. B.  
 Washburne came to his financial rescue in 1864 by paying nearly  
 ten thousand in promissory notes with Corwith,<sup>111</sup> while Sidney  
 Washburne plead for interest on an indebtedness with a bank at  
 Hallowell.<sup>112</sup> John Bradford threatened to leave the Waubeek  
 mill unless its owner paid four hundred of a nine hundred dollar  
 back salary.<sup>113</sup> But the failure of M. Ketchum and Sons of New  
 York sent him home from the army in 1865. Cole, Sumner and

<sup>106</sup> Washburn to Woodman, May 21, 1863, July 1, 1863, Woodman Papers.

<sup>107</sup> C.L. Stephenson to Woodman, September 13, 1864, Woodman Papers.

<sup>108</sup> Woodman to C.L. Stephenson, July 13, 1863, Woodman Papers.

<sup>109</sup> Washburn to Woodman, April 24, 1865, Woodman Papers.

<sup>110</sup> E.B. Washburne to Washburn, September 19, 1860, Washburn Papers.

<sup>111</sup> *Ibid.*, November 26, 1864.

<sup>112</sup> A.S. Washburne to Washburn, June 6, 1862, Washburn Papers.

<sup>113</sup> John Bradford to Woodman, November 29, 1861, Woodman Papers.

Company of La Crosse, a correspondent house, fell under the collapse, and Washburn feared another general business depression equal to 1857.<sup>114</sup>

Coincident with the difficulty in raising interest money and the extremely poor conditions in the lumber trade was the tax burden and the lack of means for payment. This seemed unduly prominent in 1863, the time that lands would be offered for tax sale. Reports came to Woodman from different sources of his former partner's inability to meet tax payment, causing some consternation. Not wishing to approach General Washburn directly, then engaged in the Vicksburg campaign, he informed Charles Stephenson, and asked him to broach the subject to the brothers resident in the West. No particular aid was forthcoming, and Washburn, by necessity, took advantage of the immunity that his war service gave him. "In regard to his taxes," wrote Stephenson, "I can do nothing. I wrote him what should be done. He replied that if I could lend him \$5,000 it might do him some good, otherwise he would prefer that I should not agitate the matter, that when the proper time arrived, he would buy them all in."<sup>115</sup> And while the post mortem was being held, Washburn very calmly announced that his condition was not as precarious to cause anyone a loss should he fail to return from the war. However, his financial condition forced the sale of Waubeek, the refusal of tax payments, and the aid of E. B. Washburne in lieu of suits and protests.

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<sup>114</sup> Washburn to Woodman, September 17, 1865, Woodman Papers.

<sup>115</sup> C.L. Stephenson to Woodman, March 3, 1863, April 1, 1863; Woodman to Stephenson, February 25, 1863; Woodman to J.B. Merrick, April 15, 1863, Woodman Papers.

Between the years 1864 and 1872, Washburn operated primarily as a logger. For several years prior to the former date, relatives and acquaintances alike, especially interested in his welfare, counseled him to dispose of the Waubeek mill which was in his possession from 1857-1864.<sup>116</sup> The years following the depression found him particularly impecunious, and lumber operations weighed so heavily upon him that sale of Waubeek was a means of lightening the financial load. But despite the sale of the sawmill, Washburn still had lumber in the streams. The terms of contract with the new owners specified a partial payment in sawed lumber allowable, and the acreage above Saint Anthony Falls was converted into the same type of product. These two sources kept him busily engaged in the disposal of sawed lumber, a supplement to his logging trade. As the years after 1865 increased the demand for lumber, a demand accentuated by the settlement of the West, and as his logging on the Black rose yearly, Washburn turned toward the idea of building a mill at La Crosse after his usual style--the largest and best in the West.

The times seemed most propitious. Lumber production for the sixteen years, from the Great Lakes and Mississippi, averaged twelve percent per annum. The demand reached a new high for past years in 1869, and when the war in Europe broke out the probability that the United States might be obligated, by contrition, to feed the Europeans, land sales increased and immigrant trains moved rapidly into the West. A populated

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<sup>116</sup> E.B. Washburne to Washburn, August 15, 1861; Washburn to S.L. Nevins, February 28, 1869, Washburn Papers; Woodman to Washburn, July 12, 1863, Woodman Papers.

plains region and good wheat prices determined the course of the lumber industry, for only profitable farming changed the agricultural population from sod-house to frame house dwellers.<sup>117</sup> The winters of 1870-1871 and 1871-1872 were fair logging seasons, and accentuated the desire of every logger to cut to the very extreme of his financial ability. After the seasons began, there being no diminution of labor, men were rushed into the battle of slashing pine. The spring seasons were unfavorable, although large drives came down, and the prices remained steady.<sup>118</sup> These same signs portended the panic of 1873, though few lumbermen saw them. The location of the great pineries of the upper Mississippi and the amount of log rafting made La Crosse an ideal spot for a mill. There, unlikely, logs from up the river might be stopped and converted into lumber before passing to the markets below.

On April 18, 1871, G. R. Shepardson's La Crosse mill burned. The destruction of that large sawmill seemed to direct the attention of a number of loggers to the building of a new plant. In the fall of the year, the La Crosse Lumber Company, a partnership of Washburn, Reul and James Weston, Abner Gile, N.B. Hallway and Shepardson, was organized and began constructing a mill in north La Crosse. It was a steam mill, the largest in the city. The main part was 56 x 150, the wing 26 x 32, two stories; the brick engine room was 26 x 40. It was unique, as lumber mills went, for it had no trace

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<sup>117</sup> D.W. Bradley to Woodman, October 4, 1870, Woodman Papers.

<sup>118</sup> "Present Price of Common Lumber," in Wisconsin Lumberman, 1 (1873-1874):1-3.

of the traditional, dirty appearance normally accorded plants of that day. Only the latest equipment went into the mill, and nothing was wasted. The slabs were sold for fuel, or cut into shingles and lath; the sawdust was burned in the boiler. It was as "neat as an old maid's kitchen," but in comparison more productive. The capacity of the "Big Mill," as it generally came to be known, was about two hundred thousand feet of lumber, sixty thousand shingles, and fifty thousand lath in ten hours. The cost ran nearly a hundred thousand dollars, and it began cutting in 1872. The lumber was sold in rafts down river, but the company operated yards at Louisiana,  
 119  
 Missouri and La Crosse.

The Big Mill became the show place of the city. It was both a financial and mechanical success and production increased gradually. In July, 1875, it cut a hundred and eighty thousand feet in one day, and two weeks later shut down because the  
 120  
 harvest fields drew laborers away. In the fall of 1875, Washburn bought out the other stockholders with the view of

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119 "The Lumber Interests of La Crosse," in Wisconsin Lumberman, 1 (1873-1874):125, quoting Milwaukee Journal of Commerce; La Crosse Republican and Leader, December 20, 1871, December 31, 1871; History of La Crosse County, ed. by Western Historical Company, 617-618.

120 Daily Liberal Democrat (La Crosse), July 12, 1875, August 1, 1875; History of La Crosse County, 617-618, gives the production as follows:

1873, 11,000,000 ft.	1876, 15,000,000 ft.	1880, 22,000,000 ft.
1874, 11,000,000	1877, 6,000,000	1881, 10,000,000
1875, 9,000,000	1878, 7,500,000	

The reason for the low cut in 1877 was the shortage of logs. S.L. Nevins managed the mill.

using the mill for his Black River logs.<sup>121</sup> Production, save for 1877, increased noticeably, and in 1880 he logged twenty million feet.<sup>122</sup> In February, 1881, the paralytic stroke from which he suffered caused a state of indefiniteness about his business and sawing decreased.

The crisis of 1873, industrial rather than financial, was on the whole the severest and most general one through which the world had passed. From the close of the year until 1873, there was an enormous investment of capital in machinery and transportation, produced no doubt by the change from older to newer forms, from slower to swifter means. The opening of the Suez accentuated trade; the substitution of steel for iron rails, and land grants stimulated rail building, which in turn stimulated settlement and manufacture; and all seemingly on borrowed capital based on fictitious value of 1870, 1871, and 1872. On September 18, 1873, Jay Cooke failed, and a few days later, the conservative house of Fiske and Hatch. Prices tumbled, employment ceased, and car loadings dropped off.

In lumbering, the years of 1869-1873 were marked by excessive logging activity, but poor spring seasons held many logs up stream until the spring of 1873. The accumulation of logs and lumber seemed likely to glut the market if placed all at the same time and buyers decided to await still lower prices before restocking. The prospect of feeding the European population stricken by the Franco-Prussian War dwindled into

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<sup>121</sup> Daily Liberal Democrat, October 2, 1875.

<sup>122</sup> Woodman to Daniel Thompson, November 27, 1880, Woodman Papers.

nothingness, and with it the possibilities of converting a sodhouse frontier to one of frame dwellings.<sup>123</sup> Lumber journals warned loggers and lumbermen that there were lean years ahead marked by the general stagnation of business, the low wheat crop and equally low price, and the large supplies of lumber on hand, by far a sufficient supply to meet all requirements for 1875.<sup>124</sup> Out of the depression came the National Association of Lumbermen, organized in 1873, and the State Lumbermen's Association of Minnesota in 1874, both pledged to curtail production. In 1874, members of the National Association meeting at Saginaw agreed to curtail fifty percent, but the task of compelling proved too heavy.

Curiously, Washburn's lumbering and logging activities did not fare as badly as in 1857. In railroading and flour milling, however, those industries located in Minnesota, he was badly treated and was forced to borrow in the eastern money markets at almost ruinous rates. Washburn, along with most lumbermen who owned equipment, logged only enough in 1873 to keep teams and regular hands busy.<sup>125</sup> Those firms engaged in the latter course found reduced prices favoring them. Wages for choppers dropped from forty-two to twenty dollars; teamsters received thirty to thirty-five; common labor fifteen to twenty; indeed, the costs per thousand dropped from \$3.30 to

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123 "Present Price of Common Lumber," in Wisconsin Lumberman, 1:1-3.

124 "The Condition of the Lumber Trade", in Wisconsin Lumberman, 3 (1874-1875):2-3.

125 "Lumbering on the Black," in Wisconsin Lumberman, 1(1873-1874): 65.

126  
 \$2.10. Washburn conserved his resources for his Minne-  
 apolis enterprises and turned down chances to increase timber  
 127  
 acreage. in 1874, he was called upon to take over the task  
 of liquidating the business of W. D. Washburn who was caught  
 in the tenacula of the panic. This entailed borrowing anew;  
 but it was not without its compensations for it gave him a  
 chance to consolidate his holdings in the Minneapolis and St.  
 Louis and the Minneapolis Mill Company. By 1875, conditions  
 in the lumbering division of his activities improved sufficient-  
 ly for him to buy the La Crosse Lumber Company. Also, the  
 Batavian Bank, apprehensive of the outcome of the crisis, had  
 restored his credit. Lumber along the Mississippi ports sold  
 for low prices, but the collections in the paper were "very  
 128  
 fair."

As a logger Washburn naturally made no attempt to  
 establish yards. The rafts were usually run in at some  
 Mississippi port, Fulton City, Clinton, or other sawmill towns,  
 and sold to highest bidders; or delivered to a contracted party.  
 After the building of Waubeek, and its later acquisition by  
 Washburn, the problem of disposal of lumber confronted him.  
 In selling sawed lumber on the river below he came in com-  
 petition with a similar product fabricated by the Mississippi  
 mills. At times this proved unfavorable, and ultimately  
 forced him to establish a series of yards at places supported

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126 "Wages", in Wisconsin Lumberman, 1(1873-1874):159,398.

127 Washburn to Woodman, May 31, 1873, Woodman Papers.

128 Daily Liberal Democrat, April 7, 1875.

by a large hinterland, newly settled and easily to get at. The acceptance of lumber from the Waubeek mill as part payment for stocking the plant prompted him to regard St. Louis, then in the turmoil of supplying Kansas and Utah with timber, as a likely place to succeed, but the inability to find a location and a man capable of operating it, in the middle of the crisis of 1857, deterred him from that course. The towns of Keokuk, Muscatine, and Lyons, already choked with lumber and at which places Washburn had thousands of feet in the raft or on consignment, seemed unlikely places for operation.<sup>129</sup> In 1860, with Gustavus A. Buffum as manager, he established a yard at Iowa City, but the following year closed it and turned to Clinton and Lyons. To secure money for logging operations, Washburn borrowed better than nine thousand dollars from Corwith, giving the yard as security.<sup>130</sup> In 1873, the yard at Lyons was discontinued, and the La Crosse Lumber Company established one at Louisiana, Missouri, which he took over with the purchase of the La Crosse in 1875. To facilitate further profits, he constructed a large planing mill.<sup>131</sup> The extent of the hinterland is easily ascertainable from the account books and an inventory of Washburn's estate. The open accounts inventoried at \$51,955.34, ranging in sums from \$.50 to \$7,331.02, and extending from the next

<sup>129</sup> Washburn to Woodman, May 6, 1858; Washburn to Woodman, September 17, 1865, Woodman Papers.

<sup>130</sup> Account Sheet, May 1, 1863, Washburn papers; History of Pike County Missouri (Mills and Company, publishers, Des Moines, Iowa, 1883), 678.

<sup>131</sup> Ibid., 649-650.

county to Topeka, Kansas. The equipment, land, lumber, and accounts were appraised \$221,985.85. And this gives an idea of the enormity of the project.<sup>132</sup>

Notwithstanding the nearness to the plains region, a factor which cheapened the price of Upper Mississippi lumber, the sawmills encountered much competition. This competition came from the Chicago wholesalers who disposed of Michigan and eastern Wisconsin surplus pine boards on the plains at what ever price could be obtained. Despite the method, Upper Mississippi lumbermen frequently bested the Chicago men, because railways showed little interest in the purchase. After the half century mark, railways seemed to favor the lumbermen so that the St. Louis market might well be considered within the pale of the Great Lakes lumber group. In 1878, further aid was rendered them when the lake to Mississippi roads reduced the tariff on lumber between those waterways from twenty to thirteen cents, thereby making the plains region more accessible and competition more equal.<sup>133</sup> In addition a campaign was begun against lumber that had been too long in the water, which tended to destroy the advantage long held by the Upper Mississippi men. Men from the Chippewa River met at St. Paul in July, 1878 with the object of seeing "if some arrangement could be perfected with the railroad gentlemen present by which the lumber of the Chippewa region could be transported to Kansas City, St. Joseph, and Atchison

<sup>132</sup> Inventory of Washburn Estate, Bliss Papers.

<sup>133</sup> St. Paul Dispatch, April 16, 1878.

upon terms and at rates enabling them to compete with Chicago  
 . . . . <sup>134</sup> " Committees from both groups drew up a low  
 schedule, the beginning of a new basis for Chicago competition.  
 The whole question also became another phase of the South-  
 western pool battles. <sup>135</sup> The competition naturally cut into  
 territory considered as hinterland for the Louisiana yard of  
 Washburn, yet the advantage held by him, in addition to cheap  
 transportation, was the ownership of pineries secured cheaply  
 thirty years previous.

The yard at Louisiana, Missouri took only a portion of  
 the lumber, for Washburn put better than a million feet yearly  
 on the yard in La Crosse. This retailed locally; however, a  
 large quantity was sold in southern Minnesota. Competition,  
 in this section of that state, was extremely keen, and he was  
 confronted by dressed lumber hauled by his own railroad, the  
 Minneapolis and St. Louis. The little concern paid to that  
 competition shows the importance of the flour milling industry,  
 and the water power to him. Although he maintained a resi-  
 dence at La Crosse, the larger portion of his time was spent  
 at the flour mills.

The lumbering enterprise occupied a large but not the  
 most important part of Washburn's business activities. It  
 did fill nearly thirty years of his life, but he advertised  
 himself more as a miller than a lumberman. His rise to  
 prominence in the lumber field was due to judicious investment

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<sup>134</sup> St. Paul Dispatch, July 27, 1878.

<sup>135</sup> Ibid., May 23, 1878; Riegel, R.E. "The Southwestern Pool,"  
 in Missouri Historical Review, 19 (1925):12-24.

of funds in pine lands, first with the apparent attempt to monopolize the industry, and later with the thought of location for profitable cutting. The crises of 1857 and 1873 were obstacles on the pathway to success as a lumberman necessary to overcome; and the first one proved almost destructive, but by toil and perseverance he obtained pecuniary freedom within ten years. Relative to the lumber industry, the second did little damage, and within two years he purchased the La Crosse Lumber Company, successfully operating it until his death. Of 1857, he wrote, "If, however, I ever again get caught as I was in 1857, you may kick me high nor a kite."<sup>136</sup> Though constantly desiring to narrow his endeavors, he never did and continually sought new fields for lumber operation. To him Woodman said, "though you talk of drawing your business to a close, yet I have no doubt that if you could cash your lumber this winter you would, before the Mississippi opens next spring, be making your calculations to buy out and cut down all the timber on the Black, Chippewa and Rum rivers, and perhaps be in favor of starting a gigantic joing stock company to cut down all the pine in Oregon the year following."<sup>137</sup>

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<sup>136</sup> Washburn to Woodman, May 21, 1863, Woodman Papers.

<sup>137</sup> Ellis B. Usher, "Cyprus Woodman: A Character Sketch," in Wisconsin Magazine of History, 2 (1918-1919):393-413.

## CHAPTER VI

## FLOUR MILLING

The excellence of the pine timber on the upper reaches of the Mississippi early attracted the partners to the area around Saint Anthony Falls. The land law which made warrants assignable facilitated entries for the rich timber lands on the Rum River, and Washburn and Woodman speedily made use of the opportunity to accumulate large stands. Journeys to the area became necessary, and both commented in letters to eastern friends of the fertility of the soil circumambient to Saint Anthony, as well as the location of the village on the banks of the Mississippi. As if Maine people civilized a region better than other state migrants, Woodman proudly related that a fair share of Saint Anthony's denizens were from Maine, citing as proof the manner in which he saw "a man driving oxen with a goad," a sight he had beheld at no other place in the West.<sup>1</sup> The attractiveness of the region and the opportunities for financial speculation in the whole northwestern part of Wisconsin and northeastern Minnesota caused Woodman to urge his brother, William, to take up residence in that section,

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<sup>1</sup>Washburn to Joseph Dunn, April 10, 1851; Woodman to Mrs. Eliza E. Weston, November 3, 1851, Woodman Papers; Isaac Atwater, ed., History of the City of Minneapolis, Minnesota (2 vols., New York, 1893), I: 536.

but the great pleasures of New York proved the stronger. The two partners fervently hoped for connections in the area when Woodman made the offer, but they despaired little for Dorilius Morrison soon became agent for the firm.<sup>2</sup> The interest of the partnership in that region remained in timber lands, but upon its dissolution Washburn turned his talents immediately toward the development of the water power generated by the Falls. Subsequently, after disposing of the Rum River timber lands, the gradual control of the stock in the water company led him to utilize the power it furnished for his own mills, and to dispose of the surplus at a handsome profit. A concomitant problem was the construction of railroads as a means of solving the transportation problem of his clients. Thus, Washburn's investment in the Falls power set in motion a series of new industrial investments by him in that area.<sup>3</sup>

Writers early called public attention to the power possibilities offered by the Falls of Saint Anthony. Dam and power sites were generally considered as feasible places for towns to spring up and receive recognition from manufacturers bent upon establishing western branches. Rather grotesque but frequently true each small stream with but a

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<sup>2</sup>Woodman to Wm. H. Woodman, January 13, 1851; Wm. H. Woodman to Woodman, December 13, 1853, Woodman Papers.

<sup>3</sup>Washburn to Woodman, October [?] 1853; Woodman to J.B. Merrick, December 1, 1855, Woodman Papers.

few feet drop and a somewhat uncertain water supply became the center of a grandiose town scheme. Although the Falls on the upper Mississippi contained all the essentials of good power, it proved no exception. Newspapers in the older sections of Wisconsin, and these sheets came to Washburn's hands, proclaimed the virtues of the Falls region, and recorded the organization of a company to take over the water power on the east side of the river as early as 1847.<sup>4</sup> The central figure of the east side development--east of the island in the center of the river--was Franklin Steele. Steele was attached to Fort Snelling as sutler, but being both a man of vision and wealth he secured the incorporation of the Saint Anthony Water Power Company in 1856. The corporation thus created remained until the Minneapolis Mill Company (the Washburn company), incorporated in the same year, together with some flour mills, went to a syndicate headed by English capitalists.<sup>5</sup> It was on the east side of the river, in Saint Anthony, that the great manufacturing growth of the area first began, but after the incorporation of Saint Anthony and Minneapolis into one city known as Minneapolis, both sides figured notably in the manufacture of

<sup>4</sup>Wisconsin Argus, (Madison) August 12, 1847, quoting the Prairie du Chien Patriot; M.S. Gibson, "The Willow River Country," in Wisconsin Farmer and Northwestern Cultivator, 1 (1849): 272-273.

<sup>5</sup>Daniel Stanchfield, "History of Pioneer Lumbering on the Upper Mississippi," in Minnesota Historical Collections (St. Paul, 1901) 9: 325-362; Atwater, History of Minneapolis, I: 29-30, 527-534; Northwestern Miller, May 2, 1879.

flour. The west side, only a cluster of huts and Indian wigwams when Saint Anthony was a thriving city, soon outstripped the older city. The liberal policy of the incorporators of the water power company, now primarily in the hands of Washburn, made such expansion possible.

The west side was the seat of the old government mill which the army erected for the purpose of grinding the grains needed by the inhabitants of the Fort. In 1849 Robert<sup>6</sup> Smith, a member of the House of Representatives from the Alton, Illinois district, made application to the Secretary of War for a five year lease of the government house and old mills. Smith claimed that he intended to move there and desired the mill to grind corn and other grains. On March 3, 1849, the Secretary of War gave his consent. The same year Smith received permission to cultivate the land around the buildings, and subsequently he made claim to the land when opened for sale. The claim included the riparian<sup>7</sup> rights on the west side.

Smith's acquisition proved highly valuable, but it involved the raising of capital for its development. He

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<sup>6</sup>"Robert Smith" in The United States Biographical Dictionary (American Biographical Publishing Company, Illinois vol., Chicago, 1876), 447-448.

<sup>7</sup>Atwater, History of Minneapolis, I: 32; William Watts Folwell, A History of Minnesota (4 vols., St. Paul, 1921), I: 423-424. Steele, by Smith's maneuver had been out-smarted. His move was to get Colonel John Stevens to take a claim next above that of Smith's. Out of the Stevens' claim came Minneapolis, but the Smith claim developed into the rich water power process.

began to act as a speculator in land warrants and made a contract with Horatio Woodman, Woodman's brother at Boston, for purchase and location of them on joint account. Horatio Woodman's lack of business ability made that venture a high-<sup>8</sup>ly unprofitable one, and Smith soon gave it up. This indirect connection with Smith, together with congressional friendship through Elihu B. Washburne, brought Washburn and Woodman in close contact with him. When Smith, after his retirement from Congress in 1849, occupied desk jobs at Washington, the partners frequently corresponded with him<sup>9</sup> about land warrants. All such endeavors proved fruitless. Eastern concerns, too, seemed dissatisfied with the nature and security of the investment. Fearing a total loss might eventuate, Smith divided his claim with R. P. Russell, George E. Huy and others, including C.C. Washburn, in consideration for the improvement of the power site. The result was the organization of the Minneapolis Mill Company, chartered on February 27, 1856. The capital stock was \$160,000, the land owners conveying the land, others furnishing either logs or money for the dam. The infant concern began immediately to erect a dam which it completed in 1857 at the cost of \$60,000. The next step was the construction of a canal along the river bank to utilize the valuable mill sites, but

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<sup>8</sup>Woodman to Washburn, November 26, 1849, Woodman Papers.

<sup>9</sup>Washburn and Woodman to Robert Smith, March 4, 1852, Woodman Papers.

it was not until 1866 that this undertaking was completed.<sup>10</sup>

The incorporation did not, however, solve the financial problems of the company. It did tend to mitigate them. Eastern speculators seemed more ready to invest in organized companies rather than individual enterprises, unless the latter were an excellent credit risk. The mill company had, also, begun construction of improvement which greatly enhanced the security. Since the paid-in capital stock represented more property than money, it sent Smith hurrying to New York for funds, offering for sale a few shares of the stock at par value.<sup>11</sup> The panic of 1857 kept eastern capitalists from the stock purchase which forced Smith to relinquish much of his holdings. Confident of the future of the project and better able to secure credit, Washburn purchased the released shares with Hallowell Bank notes and money advanced from Elihu B. Washburne, who later forced a curtailment of the "splendid project at Minneapolis."<sup>12</sup> Despite advice Washburn continued the water power development.

<sup>10</sup>Henry A. Castle, Minnesota, Its Story and Biography (New York, 1915), 696; Atwater, History of Minneapolis, I; 534-535; Northwestern Miller, May 5, 1879; August 22, 1879; John H. Stevens, Personal Recollections of Minnesota and Its People (Minneapolis, 1890), 284.

<sup>11</sup>George Woodman to Woodman, July 10, 1857, Woodman Papers.

<sup>12</sup>Ibid., September 3, 1857; Washburn to Woodman, September 22, 1857, Woodman Papers; Atwater, History of Minneapolis, I: 42; Stevens, Recollections, 303.

W. D. Washburn was appointed as agent for the concern and carried out his brother's ideas of leasing the power at a cheap rate on a short time contract to insure permanent locations. Water power rental commanded only \$75 per mill power. In 1858 the first flouring mill was constructed on the west side, from which dates the beginning of the  
<sup>13</sup>  
 supremacy of flour over saw mills.

All during the Civil War the company did little other than maintain the investment. The outlook of the war made capital hard to get and forced the company to mortgage the property for minor improvements. Although it was looked upon as an attractive investment, Woodman, who was invited to take charge of the project, refused to invest his time and money.  
<sup>14</sup>  
 An attempt to interest Daniel Thompson failed. Washburn in both transactions hoped to interest the men for the sole purpose of securing capital and suitable managers. Failing them, he turned to Corwith and Company at Galena and was  
<sup>15</sup>  
 able to borrow \$6,750 for improvement funds. When the war was over and Washburn returned to civilian life, he attempt-

<sup>13</sup>Atwater, History of Minneapolis, II: 547; Northwestern Miller, May 2, 1879; September 5, 1879. A mill power consists of 50 horse power of water in use 16 hours. In 1879 such a unit rented for \$750 per annum.

<sup>14</sup>Woodman to Daniel Thompson, November 2, 1861; Woodman to Dorilius Morrison, November 2, 1861, Woodman Papers.

<sup>15</sup>Washburn Diary, March 21, 1862, Washburn Papers.

ed to buy the remaining Smith shares but found it impossible. He saw, however, the rapid growth of the city of Minneapolis in the past four years, and enthusiastically pictured it to Woodman who greatly discounted the words of the over-zealous industrialist.<sup>16</sup> Smith died in 1867; and his remaining shares went primarily to the two Washburns, the eldest once again meeting with failure to interest his former partner in the project. Washburn had by now completed his B Mill, and the desire to control the entire power became a paramount concern to him. The invested capital of the company now amounted to \$335,000 being divided in shares of \$100 par value at which figure it remained throughout Washburn's active life.<sup>17</sup>

Countless contingencies kept Washburn from realizing early on his investment. The construction of an apron in 1866 to protect the Falls from further erosion proved a failure, for in 1867 an extraordinary rise in the river swept the apron away and caused the fall of a large piece of rock. The resultant losses at Minneapolis were immense, and damage to the water power considerable, leaving it unrepaired and in a precarious situation.<sup>18</sup> The threatened recession of the Falls kept concerns from purchasing power from the mill com-

<sup>16</sup>Washburn to Woodman, September 17, 1865, Woodman Papers.

<sup>17</sup>"Statistics of Minnesota for 1869," in Minnesota Executive Documents (St. Paul, 1870), 861, 865; Washburn to Woodman, July 28, 1868, January 25, 1875, January 31, 1875, Woodman Papers.

<sup>18</sup>C. L. Stephenson to Woodman, August 23, 1867, Woodman Papers.

pany. The catastrophe of 1869, in which the waters of the Mississippi River created a gigantic whirlpool while raging through a tunnel constructed to carry water to the end of Hennepin Island, augured badly for the company. The creation of the whirlpool, aggravated by a heavy fall of rain in the upper valley, forced the mills to close, and mill owners began to wonder about the value of their investments. Some regarded mill powers as worthless, but the entrance of the federal government and the generosity of Minneapolis saved the Falls. For a period of seven years there was doubt of the value of the Falls, but Washburn registered none; and in recognition of his faith constructed larger mills. Certain rail companies, too, avoided Minneapolis in the construction of rails to Lake Michigan, which tended to restrict the city's industrial development. The Milwaukee road ignored the importance of the city by placing it on a spur line from Mendota. Despite the pleading of C.C. Washburn and Minneapolis merchants, the Milwaukee persisted in its original purpose and by such action rated the new city as being of secondary importance. The action caused W.D. Washburn to gloomily write his brother: "We have got to have other R.R. connections

<sup>19</sup>A.W. Kelsey to Woodman, February 20, 1875, April [?], 1875; C.L. Stephenson to Woodman, October 27, 1867, Woodman Papers. For an account of the catastrophe of 1869, due to the construction of the Eastman tunnel, see Folwell, Minnesota, 3: 333-347. There was no actual damage to the Minneapolis Mill Company's property, but the danger that the Falls might be swept away caused great uneasiness among the west side stockholders.

or we are gone up." <sup>20</sup> Half fearful that the tremendous investment in the Falls would spell ruin for him unless rail connections could be secured, Washburn, aided by stockholders in the mill company and in mills at the Falls, laid plans for and ultimately constructed the Minneapolis and Duluth, the first part of the Minneapolis and St. Louis system. It was only by promoting good transportation facilities and offering cheap mill power that eight mills with 100 run of stones were constructed between 1870-1875. So important were the flour mills in their relationship to the water power of the Falls that, in 1876, saw mills found themselves obligated to move by the new policy of retaining <sup>21</sup> the power for flour mill use. The saw mills ultimately moved to St. Paul which became important as the lumber center of Minnesota. Flour became the chief product of the Falls, and in this Washburn led the way.

When Washburn returned from military service he found Minneapolis in a fever of speculation. Impregnated with a theory that the United States was at last rid of depressions and panics, and, too, that all commodities would bring only the highest of prices, people invested according to their

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<sup>20</sup>W.D. Washburn to Washburn, May 10, 1869, May 30, 1869, Washburn Papers.

<sup>21</sup>"Statistics of Minnesota for 1876," in Minnesota Executive Documents (2 vols., St. Paul, 1877), 2: 957.

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belief in the theory and the limits of their credit. Over the completed Minnesota Central railroad, which carried some two and a half million feet of Minneapolis lumber and ten thousand barrels of flour to the Wisconsin lakeboard, settlers came in great numbers<sup>23</sup>--some with the view of permanent residence, others to stop temporarily; some with capital, others with but a willingness to work; but all came with the desire to grow rich quickly, the result of the war inflation hysteria. Discharged soldiers, fresh from the victorious armies and with bonus money and a few months pay tucked away in their tunics, no doubt added to the high optimism which pervaded the region; for, since the redoubtable Lee and Johnson and other intrepid southern commanders had fallen before them, they had an exalted feeling of their importance and began to live and speculate recklessly. Eastern men, shut off from speculative enterprises or taking full cognizance of the rapid western migration, but with ample credit seeking new places of operation, regarded the area with favoritism. Lumbermen sought to utilize the Falls for turning the wheels of the sawmills and the river for transporting the finished product to southern and western

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<sup>22</sup>C.L. Stephenson to Woodman, September 27, 1866, Woodman Papers.

<sup>23</sup>Horace B. Hudson, A Half Century of Minneapolis (Minneapolis, 1908), 44-45.

markets. Washburn caught the spirit of optimism. It was, in reality, an epidemic that he wanted; for a large and energetic population, interested in building and settlement, meant construction of mills along the canal of the Minneapolis Mill Company of which he was the central figure. Half out of preparation for a stupendous increase in manufactured items and the need for transportation he began dickering for a railroad from the St. Croix to Lake Superior. Failing to secure capital in the venture, he turned his attention to the construction of a flour mill.

As early as 1856 Washburn saw the possibilities of flour milling at the Falls.<sup>24</sup> Flour mills had been built on the east side of the river and were running profitably, one of the mills yielding twenty-four thousand dollars profit the first year.<sup>25</sup> Wheat lands were rapidly coming into use and the wheat surplus grew astonishingly large. By the time Washburn constructed B Mill, the largest at the Falls, he was aware that the territory westward was excellent wheat land. Although fear drove many men to handle dollar and a half wheat with circumspection, he boldly built the mills which subsequently drew others to that location.<sup>26</sup> That he

<sup>24</sup>William C. Edgar, The Medal of Gold (Minneapolis, 1925), 7-8.

<sup>25</sup>G. D. Rogers, "History of Flour Manufacture in Minnesota," in Minnesota Historical Collections, 10: 35-55 (St. Paul, 1905); Charles B. Kuhlman, The Development of the Flour Milling Industry in the United States with Special Reference to the Industry in Minneapolis (Boston, 1929), 109-112.

<sup>26</sup>C. L. Stephenson to Woodman, September 27, 1866, Woodman Papers.

purchased a share in the water power shows unquestionably his intention to plan an industrial scheme on a grandiose scale, but his public service, which always commanded a share of his interest, served temporarily to deter him from it.

So large did he construct Washburn B that it became known as "Washburn's Folly". The building was a huge stone affair, six stories high and containing eleven run of stone with a daily capacity of seven hundred barrels. Had the lot been large enough, wrote his brother-in-law, "I think [he] would put in twenty run." It contained the best and latest flour milling machinery available, and was the largest mill west of Buffalo. Minneapolis proudly pointed out the plant as the most modern of the Middle West, but many denizens prophesized failure for him. When he announced the name of the factory as Washburn B, he served notice on the public and the more doubtful citizens of his intention to center the major part of his industrial activities in the wheat belt, and at some future date to construct other and larger mills equipped with newer machinery. He showed additional faith in his scheme by acquiring more property in the vicinity of the Falls, and a greater control in the power company. His actions seemed to inspire other men; for in the same year three other mills were begun although the population at the

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<sup>27</sup>C. L. Stephenson to Woodman, September 27, 1866, Woodman Papers; Edgar, The Medal of Gold, 10-13.

Falls continued to forecast hard times for anyone manufactur-  
 ing flour with dollar and a half wheat.<sup>28</sup> With the addition  
 of mills, the success of the water power project was assured  
 and power increased in value.

Even before the hundred thousand dollar mill, "the  
 finest in the world," reached completion, Washburn rented  
 it to good responsible parties for \$12,000 a year."<sup>29</sup> W. S.  
 Judd and George A. Brackett, in the partnership of Judd and  
 Brackett and already the largest operators in Minneapolis,  
 leased the mill for five years. The rental was not excessive  
 but rather in line with the profits realized by mills of  
 smaller capacity and without the newest of machinery. However,  
 Washburn desired to have the mill successfully operated  
 rather than derive a large income from it,<sup>30</sup> since he now was  
 the chief stockholder in the power company and began to  
 think of more and larger mills at the Falls. The mill could  
 serve as a guide to other projects of a similar or allied  
 sort. The new lease proved unsuccessful. The firm took over  
 the plant and began grinding in the summer of 1867, as soon  
 as the new crop became available. But the project seemed to  
 be beyond their managerial capacity, and in two years the  
 firm failed.<sup>31</sup> The reason for failure, advanced by both the

<sup>28</sup>C.L. Stephenson to Woodman, September 27, 1866, Woodman  
 Papers.

<sup>29</sup>Washburn to Woodman, October 1, 1866, Woodman Papers.

<sup>30</sup>Atwater, History of Minneapolis, 2: 587; Edgar, The Medal  
 of Gold, 34-35.

<sup>31</sup>W.D. Washburn to Washburn, May 30, 1869, Washburn Papers.

operators and the people of the district, was the enormous size of the mill and the lack of profit from the sale of spring wheat flour in the eastern market.<sup>32</sup>

Forthwith, Washburn verbally advertised the mill for rental and soon attracted the attention of two men with whom he formed the firm of Christian, Tomlinson and Company in 1869. This concern lasted scarcely a year when the firm George H. Christian and Company began operations. Jesse R. Tomlinson, upon retirement, operated the Zenith Mill with a six run of stone.

George H. Christian, with whom Washburn formed a partnership in 1870, was not without experience in wheat and flour. He was considered one of the shrewdest operators of wheat in the Northwest and had successfully operated in flour in the East. Coming west as a representative of eastern milling concerns, Christian caught the spirit of the growing milling center and settled there. His reputation for honesty, cautiousness, and his intelligence led the owner of B Mill to offer him a partnership under the general plan that Washburn should retain control of the mill and brands, and Christian was to do the managing. The final plan acceptable to both parties called for Washburn furnishing the mill and capital, retaining ten-sixteenths of the profits, and

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<sup>32</sup>Rogers, "History of Flour Manufacture in Minnesota," in Minnesota Collections, 10: 35-55; Edgar, The Medal of Gold, 34.

Christian managing the mill and taking the remainder of the profits. The brands and formulas manufactured or developed during the period were to fall to Washburn at the end of the lease, and only the best grades of flour bearing the Washburn name should be fabricated.<sup>33</sup> The George Christian management proved highly successful. Under his regime, and with much of his own experience and knowledge going into the machine, Edmund LaCroix successfully built and operated the middlings purifier. It was this machine, combined with a change in the grinding process, which brought spring wheat flour to command a high price in the eastern market, and thereby increased the profits of the Washburn Mill.

The process of flour manufacture had changed little since the days of Oliver Evans. This early American inventor constructed contrivances which greatly advanced the automatic handling of grain and flour, and which formed the basis for later developments.<sup>34</sup> The conveyor, the elevator, and other apparatus, the product of the early American period and the inventive genius of Evans, cut the need for labor in the mills one half. That was the greatest contribution of the automatic mill, and since wages were higher in America than in Europe, and skilled labor lacking, the importance of Evans'

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<sup>33</sup>W.D. Washburn to Washburn, June 3, 1869, Washburn Papers; Edgar, The Medal of Gold, 34-35; Atwater, History of Minneapolis, 2: 590.

<sup>34</sup>William C. Edgar, The Story of a Grain of Wheat (New York, 1903), 151; Kuhlman, The Flour-Milling Industry, 96-101.

inventions cannot be overestimated, for most Americans were interested in acquiring lands and shunned factory work. These new devices, for which Evans "was poorly requitted by pecuniary success," coupled with the dearth of labor and the freedom accorded capitalistic enterprises in the United States combined to make this country the foremost milling nation in the world.<sup>35</sup> The industry thus became highly mechanized at a very early date, and the large mills of the Falls district operated with but few men.

With the exception of the substitution of French buhrstones, considered the finest in the world, for the granite formerly used, and silk for woolen cloth in bolting, nothing perceptibly affected the industry until the 'seventies when devices to dress the stones were introduced to the trade. As the wheat passed down through the center of the top stone, the lower one remaining stationary, it was crushed and pulverized into flour. The creases in the stones, so cut as to very slowly force the wheat kernels to the outside, clogged easily with a mixture of flour and wheat. The several devices manufactured previous to and during the 'seventies took the shape of hand picks and hand driven dressing stones, all being designed to remove this mixture. It is significant that the tools and apparatus met with little success,

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<sup>35</sup>Peter A. Kozmin, Flour Milling (New York, 1917), 26.

for, by the time of their fabrication, the milling industry had advanced beyond the buhrstone stage, although they continued in use until the late 'seventies. The permanent worth of the devices was in the milling journals which accompanied them. The tool manufacturers, being without any suitable advertising mediums, sought to introduce them by flowery descriptions accompanied with testimonials, and for that purpose established or took over certain agricultural journals. These journals generally survived the dressing era, and were publicly accepted by the millers who depended on them for information on the latest equipment and news of the industry. Not the least of these journals was the Northwestern Miller first published at La Crosse and later at Minneapolis. Even the British milling public was without flour trade journals, depending entirely upon the American publications. And since the American industry was much further advanced, there was a great demand among the British owners.<sup>36</sup>

Although the mechanical process of flour making had remained essentially the same since the inception of Evans' improvements, not all flour was alike. Winter wheat, a softer variety, made a whiter flour and a type more acceptable to the consumer, and therefore brought a premium of a dollar or two. The climate of the Northwest was unsuitable for

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<sup>36</sup>Edgar, The Story of a Grain of Wheat, 151-154.

winter wheat, and the industry there was dependent entirely upon spring wheat. Since the price of spring wheat flour was lower and the sale restricted mostly to the milling section and Indian trade, large surplus of spring wheat either piled up, found export to foreign countries, or to winter wheat manufacturing plants. Upon the conversion of spring wheat into flour the manufacturers proceeded to blend the flour and sell it to the trade. The largest winter wheat manufacturing center in the West was St. Louis, while in the East, New York City and Richmond, Virginia led in production. The surplus spring wheat flour generally affected Northwest farmers and millers. The former felt the low price of wheat while the latter deplored seeing thousands of bushels of wheat shipped past the mills to the ports on the rivers and lakes. It was the farmer who fought for the railroads, while the miller remained content to follow in their wake. Milling, like farming, became a seasonal occupation, and when the secret of spring wheat flour was learned, wheat farming expanded at an unprecedented rate.

Every flouring mill in Minneapolis and the state became a laboratory for learning a method for the manufacture of high standard flour from spring wheat. The generally accepted process, prevalent in all mills, was to make as much flour and as little middlings as possible in the first grinding, revolving the stones at a high rate of speed and dressing them at intervals. About the time Washburn built

B mill, several Minnesota flour manufacturers, notably Archibald on the Cannon River and Espenscheid at Hastings, were manufacturing a grade of flour which sold for a dollar higher than any Minneapolis flour on the New York and Boston markets. This discovery sent numerous millers into the Archibald mill to ascertain the secret for the demand. Apparently, however, they accomplished little, for they returned home without it. C. A. Pillsbury, who had a mill at the Falls, believed Archibald used better wheat, and on a trip through the mills, unnoticed by Archibald, he filled his pocket with some of it. Upon his arrival home, he soon learned that the wheat was no better than his own. The secret was that Archibald dressed his stones with greater care, ran them slower using less pressure and more even grinding, and bolted his flour better. The result was a whiter and purer flour. Archibald, by his process, became one of the progressive millers of the time, and was one of the first men to install and use the middlings purifier.<sup>37</sup>

Christian, who possessed a keen interest in scientific matters, began some experiments with flour manufacture in the B mill. He believed the superiority of Archibald's flour was due to the type of manufacture, and consequently began experiments in the gradual reduction of wheat, that is,

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<sup>37</sup>Rogers, "History of Flour Manufacturing in Minnesota," in Minnesota Collections, 10: 35-55.

by using more than one grinding. He then attempted to remove some of the bran by purifying the middlings with the use of reels, but met with no success.<sup>38</sup> Subsequently, he turned his data over to Edmund La Croix, and it remained for him to build the machine which revolutionized the industry.

La Croix had come from Canada to Minnesota and had constructed some mills near Fairbault. In 1868 with his brother, Nicholas, he built a purifier for this mill after the design of a machine patented in France in 1860. When a flood destroyed the mill early in 1870, they went to Minneapolis hoping to interest the millers in their machine.<sup>39</sup> Most millers considered him a visionary, but the operators of Washburn B had sufficient faith in his project to grant him the opportunity of constructing a machine for the mill. La Croix worked on his machine for nearly ten months, and in 1871 it was put in operation. Crudely built with great aid of a local machine shop, the machine, containing a series of sieves which received the middlings and exposed them to an air blast, was not at all successful. A second machine proved little better, both clogging and requiring the services of a man to frequently brush the cloths. Although the experiments were carried on in secrecy, George

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<sup>38</sup>Edgar, The Medal of Gold, 49.

<sup>39</sup>Ibid., 43.

Smith, formerly head miller of a mill in Hastings, invented the traveling brush which cleaned them. Smith obtained a patent on the brush with La Croix's knowledge. He soon left Christians's employ and formed a company in Jackson, Michigan for the manufacturing of his patent. Later, he consolidated his patent with the American Middlings Manufacturing Company, manufacturers of purifiers under the Cochrane process, to form the Consolidated Middlings Purifier. It was under the consolidated company that suits were begun against companies using a middlings purifier.<sup>40</sup> One of the first was against the Washburn Company, Smith's old employer.

The middlings purifier changed the character of flour milling. The previous experiments, conducted by millers, resulted in the "high grinding" process which netted more middlings than by the old method of "low grinding." This latter process produced little middlings and much flour--the reason for the method. Middlings, although considered valuable as food, were usually thrown away because of the lack of any means to purify them. The "high grinding" produced the opposite effect. The stones moved slower and gently caressed rather than crushed the bean. A great deal of middlings were reground on separate stones designed for that purpose. Although the amount of labor necessary for the process increased, the resultant profits more than made

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<sup>40</sup>Op. cit., 41-45; Edgar, The Story of a Grain of Wheat, 156-157.

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up for that deficiency. Another improvement in grinding came with the extensive use of French buhrstones. The type of flour fabricated by a combination of all the latest developments of the time became known as "patent flour," when Christian advertised the new brands as manufactured by a patented process. The mixture of bakers' or clear, the product of the first grind of the wheat with patent is<sup>42</sup> called straight.

The new patent flour manufactured under the "new process," that combination of both high grinding and the purifier, increased the demand for flour, and ultimately of wheat. Production of spring wheat increased threefold during the decade of 1870-1880, and the price jumped from ten to forty cents per bushel. Wheat now moved readily towards Minneapolis for manufacture into flour. With the exception of Washburn B, only mills of little significance were attracted to Saint Anthony Falls by the cheapness of the water power. After the introduction of the purifier and the successful operation of B mill, the number of stones utilizing the Minneapolis Mill Company's power increased enormously. Between 1870 and 1876 twelve new mills were

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<sup>41</sup>Rogers, "History of Flour Manufacturing in Minnesota," in Minnesota Collections, 10: 45; Alfred Chatterton, "Flour-Mills and Their Machinery," in Minutes of Proceedings of the Institution of Civil Engineers (London, 1887), XC: 366-380; The New International Encyclopedia (2nd edition, New York, 1915), 8: 721-724; B.W. Dedrich, Practical Milling (Chicago, 1924), 186.

<sup>42</sup>Dedrich, Practical Milling, 31. The standard grades are: First Patent, Second patent, Straight grade, First clear, Second clear, and Red Dog. Standard Patent, which is the bread flour most commonly found on the market today, includes first and second grades and first clear or bakers' grade.

constructed, and by the close of 1876, one hundred and ninety-four run of stones with an annual production of over a million barrels were in operation.<sup>43</sup> The price of mill-power increased, for mills now wanted locations near the vast and unexploited spring wheat fields. This increase in stones was marked by a widening in the flour market. Spring wheat flour was no longer disposed of locally, sold with a patriotic buy-at-home sales talk, but in eastern markets where it brought a premium of one to two dollars over winter wheat flour. Soft wheat manufacturers became uneasy over the rise of the northern flour center. Minneapolis millers, constantly improving their processes, began to think of an export business, and it was Washburn who developed that market. Winter wheat manufacturers were slow in adopting the newer methods.<sup>44</sup> The new process "of manufacturing flour," said W. D. Washburn at Anoka, Minnesota, ". . . has caused a revolution and given to Minnesota flour first place in the markets of the world and added to the value of the wheat crop thousands of dollars."<sup>45</sup>

The new process wrought a great change in business organization and location. The introduction of the new

<sup>43</sup>"Statistics of Minnesota for 1876," in Minnesota Executive Documents (2 vols., St. Paul, 1877), 2: 957; Northwestern Miller, March 19, 1880.

<sup>44</sup>Edgar, The Story of a Grain of Wheat, 161-163; Dedrich, Practical Milling, 31.

<sup>45</sup>St. Paul Dispatch, October 15, 1878.

system of milling lessened, as the Hungarian roller process later destroyed, the importance of thousands of those small rural mills unable to meet the competition set up by the larger mills. Jointly, the two systems created a new type of mill with a large capacity, and had the tendency to concentrate them at points possessing favorable shipping facilities.<sup>46</sup> Most of the mills at the Falls were located on the west side of the river, being drawn there by the improvements on that side of the river and the camaraderie furnished by the other flouring mills. It was from the west side that the network of railroads began spreading out fanshaped into the new wheat fields and to the East. Milling interests took active part in two of these, and gave moral and financial support to others.

Both the management of George Christian and the new process had a remarkable pecuniary effect for Washburn. B mill, formerly considered by Judd and Brackett too large for successful operation and nicknamed by Minneapolis growing population as "Washburn's Folly," now became the most profitable of mills. After testing the La Croix machine, finding its deficiencies and later importing several French purifiers which were subsequently improved upon to meet the American milling conditions, Christian installed a sufficient number to take care of the run of stone in B mill. The new flour

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<sup>46</sup>Edgar, The Story of a Grain of Wheat, 168-169.

was whiter and better. The resultant profit was instantaneous. From a position of relative impecuniousness, B mill's profit jumped to fifty thousand dollars for the year 1871,<sup>47</sup> and better than one hundred and fifty thousand for 1872.<sup>48</sup> Washburn's share for the last year totalled \$89,547.33,<sup>49</sup> and for 1874 he estimated it at "about seventy thousand."<sup>50</sup> "Our profits the first year of the "New Process" said Christian, "were fifty cents a barrel, the third year two dollars, and the fourth year anywhere from four to four and a half dollars a barrel!"<sup>51</sup> The Northwestern Miller, asserted erroneously that in three years Washburn B made nearly \$650,000.<sup>52</sup> Washburn A was said to have been constructed out of two or three years profits from B mill. The crescendo of profits did not last long. Within the decade the supply of new patent flour had increased to such a point that prices were forced down to somewhere near the cost of production. The profits lasted long enough, however, to grant a boom in mill building and sale of millpower.<sup>53</sup> The secret of the great profit, Washburn wrote Woodman, "is that I have worked for reputation. I told my man that I would not forgive him

<sup>47</sup> Washburn to Woodman, October 14, 1872, Woodman Papers.

<sup>48</sup> Ibid., December 24, 1872.

<sup>49</sup> Ibid., October 25, 1873.

<sup>50</sup> Ibid., October 14, 1872.

<sup>51</sup> Northwestern Miller, Holiday Number, 1890.

<sup>52</sup> Ibid., February 23, 1877.

<sup>53</sup> Kuhlman, The Flour Milling Industry, 119.

if he did not make the best flour that was ever made. To make less & of the best was my motto. The result is that we have got up a big reputation & make the best spring wheat flour that is made in the world."<sup>54</sup> In addition, and as an aid to the reputation he was building, Washburn place himself in advantageous positions to be interviewed by the press, and because of his public career plus the achievements wrought in B mill, he was sought after. He boastfully proclaimed on occasions that he was "the greatest miller in the world," which did not mitigate his importance in the field.

As the reputation of Washburn B increased, it widened the market for the flour which by now bore its own name. Eastern merchants generally began the purchase of spring wheat flour which, by the middle of the 'seventies, received the appellation as being equal to either German, Hungarian,<sup>55</sup> or southern Russian wheat flour. In the Boston market, Washburn's lower grade flours, the "Surprise" and "Parisinia," soon gave way to the "Royal Rose," which he considered his best grade after the virtues of spring wheat flour became widespread. After the completion of A mill in 1874, the "Superlative," a product of that mill, soon led in the Eastern markets. Although commanding a higher price, consumers considered it well worth the price.<sup>56</sup>

<sup>54</sup> Washburn to Woodman, October 14, 1872, Woodman Papers.

<sup>55</sup> "The Vienna Bakery", in Nation, 23 (New York, 1876): 146-147.

<sup>56</sup> A.S. Washburne to Washburn, November 9, 1874, Washburn Papers.

The St. Louis manufacturers, restive under the sudden impetus furnished by the new process to spring wheat, attempted to retain control of their markets and sales by an arrogant attitude toward all purchasers. Some even asserted that the new process flour was neither as nutritious nor tasty as the soft wheat flour; even Woodman, to whom Washburn had given a barrel politely affirmed the same. However, now that it was estimated that a barrel of Minneapolis flour would make twelve and one half per cent more bread than the best winter wheat flour, Washburn wrote his former partner, "so long as your wife says it is better than winter wheat flour I am content. Her opinion upon that subject I regard as valuable, but yours is of small account." "We shall grind here next season", he mentioned earlier, "one million barrels of flour." Milling journal editors sarcastically advocated the putting of street dust in the flour to those who wanted "the good old flavor."

Despite the fact that B mill flour was well received in the East and that the mill was producing close to capacity, Washburn remained dissatisfied with the quality. Having

<sup>57</sup>C.L. Stephenson to Woodman, October 14, 1872, Woodman Papers.

<sup>58</sup>Kuhlman, The Flour-Milling Industry, 120-121.

<sup>59</sup>Washburn to Woodman, October 10, 1874; October 14, 1872; March 31, 1873; May 12, 1873, Woodman Papers.

<sup>60</sup>Ibid., April 12, 1873.

<sup>61</sup>Edgar, Medal of Gold, 40.

been charged by his partner to produce only the best quality flour in the mill, George Christian, even after the installation of the purifiers, began an intensive study of foreign milling practices. He sent for French and German books on flour producing, and, being rather scientifically inclined, conducted experiments along those lines. He was sent by Washburn to Europe "to secure buhrstones from La Ferté and all the latest improvements in making flour in which the French so much excell,"<sup>62</sup> and upon his return was wisely consulted in construction of Washburn A. A mill begun in May, 1873, a building one hundred by one hundred thirty-seven feet and ninety feet high, contained room for forty-one run of stone. It was,<sup>63</sup> by far, the largest mill at the Falls.

The construction of A mill, paradoxically enough, found Washburn with a deficiency of accessible money. Begun at the inception of the panic of 1873 and when his railroad project was near realization, Washburn A stood well to remain uncompleted unless credit facilities could be obtained. "I want to borrow \$10,000 for 4 or 6 months and am willing to pay for it," he wrote Woodman, "The why

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<sup>62</sup> Washburn to Woodman, March 21, 1873, Woodman Papers; Gratiot Washburn to Washburn, June 13, 1873, Washburn Papers; New International Encyclopedia, 8: 722.

<sup>63</sup> "Governor Washburn's New Flouring Mill at Minneapolis," in Wisconsin Lumbermen, 2 No. 3 (1874), 284.

is this: all our Banks are strapped, and while keeping open doors they are doing nothing practically but paying off their depositors. To enable me to complete the finest mills in the world by March 1, & which as things now look will be worth \$500 a day when completed, I must have a little more money. . . I have paid out on the new mill nearly \$100,000.<sup>64</sup> But money was not easily obtainable. Washburn's railroad project was likewise suffering for funds, and it was only after pledging bonds that aid could be had at eighteen per cent from a market sadly depreciated by the panic.<sup>65</sup> Appeals to Sidney Washburne netted a small sum. The granite, lumber, and cotton mills of Hallowell absorbed most of the local surplus of profits, and Sidney Washburne was forced to go into the Boston market periodically for financial aid for Washburn.<sup>66</sup> And even there cheap money was not always accessible for him at a low rate, although the panic had recently "passed."<sup>67</sup> However, Sidney Washburne secured the financial assistance, explaining to Woodman that "them grist mills coin it [money] the last year or two. Think of \$600 net profit a day when the big mill gets at it! I gave the de-

<sup>64</sup>Washburn to Woodman, October 25, 1873, Woodman Papers.

<sup>65</sup>Woodman to E.B. Washburne, December 14, 1873; Woodman to C.L. Stephenson, January 5, 1874; Woodman to Washburn, April 20, 1874, Woodman Papers.

<sup>66</sup>A.S. Washburne to Washburn, September 9, 1872, Washburn Papers.

<sup>67</sup>Ibid., September 30, 1874.

feated governor 5000 yesterday and propose 5000 in a week  
 if I can get a discount."<sup>68</sup> From eastern sources came the  
 greatest aid for Washburn A.

Washburn A contained the latest equipment. The stones were carefully selected from the mines at La Ferte-sous-Jouarre by George Christian, and the purifiers were both of French design and French make, or French design and improved American make. Complete and ready for operation, Washburn A cost nearly \$250,000 and was capable of turning out nearly 2000 barrels daily, bringing the total capacity of the Washburn mills to nearly 2600. All of the machinery, of latest design, was installed by John Webster, considered by civil engineers as the best millwright in America. The mill was heated by steam, lighted with gas, supplied with water from pumps on every floor, and admirably protected against fire, the boilers being entirely outside the building and a hose in every room ready to be attached to the water pipes if necessary. Great regard was given the health of the men by the installation of sanitary equipment.<sup>69</sup> Washburn spared no expense toward achieving his ideal: to produce the best flour in the world at the cheapest price. "I shall soon be making", he wrote Woodman in early January, "1000 bbls. daily. When my new mill is done, I want you to come and see it. I

<sup>68</sup> A.S. Washburne to Woodman, December 2, 1873, Woodman Papers.

<sup>69</sup> "The Washburn Mills", in Wisconsin Lumbermen, 2: 284.

shall start 20 run in about thirty days. It will be beyond all question the finest flouring mill in the world and my hope of success is in making the best flour that was ever made."<sup>70</sup> Although the mill maintained the high quality flour produced by B mill, Washburn was still not satisfied. He set out to break not only his production record of 1874, but to do it at a cheaper productive cost. Somewhere, he believed, were machines which would achieve that very thing. Cheapened production was highly recommended for that year, as the flour market gradually fell from a high of \$6.75 @ \$6.25 in January to a low of \$4.00 @ \$4.50 in November, thus forcing the milling interests to witness shorter profits and some mills to petition the United States courts for a referee in bankruptcy.<sup>71</sup> In search for better milling machinery and to study improved methods, Washburn began a correspondence with Best, Vienna and Prague millers, whose methods and flour enjoyed the best reputation of any in the world. "If we can improve our quality 25 cts a bbl," he wrote Woodman, "it will be equal to over \$250 a day. I fancy that I can do much better than that. . . If it [the mill] shall prove half as profitable as the old mill in the last two

<sup>70</sup> Washburn to Woodman, January 10, 1874, Woodman Papers.

<sup>71</sup> Report of Commissioner of Agriculture for the Year 1874 (Washington, 1875), 83. The average Minnesota wheat price for 1873 was 80 cents and production ran 28,056,000 or approximately 5,000,000 bushels more than the previous year. In 1874 production dropped six and a half million and the price ten cents. Ibid., 48, 31.

years I shall be satisfied." Inspired by the thought of producing the world's best flour in the world's most modern plant, Washburn embarked from New York for a tour of European flour capitals, enjoying enroute a few days at Paris with his brother, Minister E.B. Washburne.<sup>72</sup>

Washburn's European trip proved highly successful.<sup>73</sup> The new Austrian machinery, costing nearly ten thousand dollars,<sup>74</sup> not only reduced the cost of manufacturing, but improved the quality of A mill flour so that the "Superlative" brand stood at the head of all spring wheat flours and daily taxed the capacity of the portion of Washburn A then in operation.<sup>75</sup> Notwithstanding a falling flour market and a panic, the two mills netted a profit near to seventy thousand dollars.<sup>76</sup>

The financial situation of W. D. Washburn greatly added to the cares of Washburn at a time when Washburn A demanded heavy investments. The Minneapolis and St. Louis, moving towards a southern rail flour outlet and the large

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<sup>72</sup>Washburn to Woodman, April 24, 1874; C.L. Stephenson to Woodman, May 16, 1874; A.S. Washburne to Washburn, September 9, 1874, Woodman Papers.

<sup>73</sup>Gratiot Washburn to Washburn, October 23, 1874, Washburn Papers; Woodman to Daniel Thompson, August 9, 1874, Woodman Papers.

<sup>74</sup>Washburn to Woodman, November 9, 1874, Woodman Papers.

<sup>75</sup>Ibid., October 2, 1875.

<sup>76</sup>Ibid., November 9, 1874.

wheat fields of Iowa, similarly required outlays. Lacking the financial acumen of his brother, W. D. Washburn had over invested in Minnesota timber and mills, so that by October, 1874 he was unable to meet the demands of his creditors.<sup>77</sup> In the course of W. D. Washburn's residence at Minneapolis, Washburn freely endorsed his brother's paper without asking for security. When creditors demanded payment, he appropriated the assets of his brother in order to protect his own interests, and began a systematic payment of all debts. The assets proved more than ample, leaving W. D. Washburn a sufficient amount of money to undertake a trip abroad, touring Egypt and the western part of Europe in company with Minister Washburne.<sup>78</sup> Not in possession of the necessary funds, Washburn's task came in raising the money. Since the local banks refused to supply the credit, and the La Crosse institutions had already thought him over expanded, Washburn went into the eastern money market and there was obligated to borrow at excessive interest rates.<sup>79</sup> This source did not prove too fruitful, so he sought pecuniary aid from Minister Washburne, who reluctantly released government bonds for sale, but not

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<sup>77</sup>George Woodman to Woodman, October 28, 1874, Woodman Papers.

<sup>78</sup>Washburn to Woodman, November 4, 1874; C.L. Stephenson to Woodman, November 19, 1874, Woodman Papers; "Notes," in Wisconsin Lumbermen, 3 (1874), 119.

<sup>79</sup>A.S. Washburne to Washburn, September 30, 1874, Washburn Papers.

without demanding a mortgage on both the new mill and Washburn's Washington house, and delivering a lecture on security, intimating that collateral should be required from "even Rothschild."<sup>80</sup> The heavy financial drain continued throughout most of the next year. Washburn added property to his now large amount which entailed increased worry. He carefully held his brother's water power and railroad stock for himself, but disposed of other property, one part being the Palisade flour mill, at remunerative returns.

In the political field, the months following the suspension of W.D. Washburn proved equally trying. In 1874, a group of Grangers, Democrats, and Anti-prohibitionists combined to elect William Taylor to the governor's chair of Wisconsin by a majority vote of some sixteen thousand. The campaign of that year particularly distasteful and not at all to his liking, as the Doolittle-Washburn one of 1872, made defeat doubly hard. He had hoped, however, to recoup his political prestige in the forthcoming senatorial contest by defeating Carpenter, who had by now proved odious to him, but his refusal to grant patronage and the organization of opposing forces combined to defeat him. The defeat proved a heavy blow to Washburn, but he felt compensated that Carpenter was not elected.<sup>81</sup> He never openly sought election

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<sup>80</sup>E.B. Washburne to Washburn, November 19, 1874, Washburn Papers.

<sup>81</sup>Woodman to E.B. Washburne, January 19, 1875, Woodman Papers.

to public office again, and now devoted his attention to his industrial pursuits.

To the immediate cares accompanying the suspension of his brother and the failure of election in the senatorial contest were added the unpleasant relations with his daughter, Jeanette Washburn Kelsey. His daughter and her husband had lived at Edgewood, the Washburn home in Madison, for some months previous to the senatorial defeat. For some reason, and on the day of the defeat, Washburn ordered them both to leave, but because of ill health of Jeanette Kelsey, he repented and allowed her to stay until after the birth of her child. Conditions in the house were strained, and Washburn spent most of his time at Minneapolis supervising the construction and installation of machinery in Washburn A. To quiet any rumors which threatened to break out, Washburn settled upon her an annuity of twenty-five hundred dollars, the proceeds from certain water power leases. Woodman served as trustee.<sup>82</sup> In the fall of 1873 he built a twenty-five thousand dollar home in Washington for Fanny Washburn Payson.<sup>83</sup> It was upon this home that Elihu B. Washburne demanded a mortgage for security of a loan of nearly that amount.

In 1874 and 1875, completing the five year lease, George H. Christian and Company operated both Washburn A and

<sup>82</sup> Washburn to Woodman, February 4, 1876, Woodman Papers.

<sup>83</sup> Ibid., October 25, 1873.

B.<sup>84</sup> From 1875 until May, 1878 the firm of J.A. Christian and Company leased Washburn A, while Washburn and Hazard managed B mill. The former concern was composed of John A. Christian, Llewelyn Christian, both brothers of George Christian, and Washburn. The terms were the same previously enjoyed by the other Christian company. The company proved quite financially successful, but did not appear to have operated without friction with the owner. Animosity between the Christians and Washburn's nephew, Frederick Stephenson, broke out. Washburn stood firmly by the Christians, but when difficulty arose between them and his agent, Charles J. Martin, the mill explosion of May 2, 1878<sup>85</sup> provided an opportune time to dissolve partnership.

The partnership of Washburn and Hazard was quite the opposite. Although Hazard dealt in flour and wheat before he came to B mill, his business judgment proved unsound. Bad speculations in wheat cut tremendously into the profits of the company. Hazard seemed, also, to have other interests outside the mill. Shortly after the inception of the company, he became<sup>86</sup> greatly interested in the pulpit. With such an interest the

<sup>84</sup> E.B. Washburne to Washburn, August 5, 1875, Washburn Papers.  
<sup>85</sup> Elizabeth Stephenson to Woodman, February 3, 1882; Woodman to Elizabeth Stephenson, February 8, 1882; Woodman Papers; Northwestern Miller, July 2, 1886; August 9, 1878; Edgar, The Medal of Gold, 58. Christian and Company leased the Pettit, Robinson and Company's mill and operated it.

<sup>86</sup> Hazard left Minneapolis and went to New York where he studied for the ministry. In April, 1878, he was licensed to preach by the Congregational Conference for the state of New Jersey. Northwestern Miller, February 1, 1878; Pioneer Press, April 27, 1878.

firm dissolved partnership in 1877, and the organization of Washburn, Crosby and Company came into existence. This company, taking over B mill, and ultimately A and C, was composed of John Crosby, C.C., and W. D. Washburn. Crosby married a sister of Mrs. W. D. Washburn and came into the concern without milling experience. W.D. Washburn's connection lasted but a year. The firm prospered not because any were practical millers, but because they showed managerial acumen and the ability to choose men for the key positions.

The patents secured by George T. Smith on the traveling brush and the subsequent manufacture of middling purifiers caused the millers no small amount of embarrassment. About seven years after his employment as head miller in Washburn B, Smith began the fabrication of a purifying machine with which he developed a prosperous trade. La Crois likewise began business in a small way. Meantime, the American Middlings Purifier Company had secured a re-issue of patents granted to Cochrane on the grounds that the original patent included the idea of the purifier. Both groups saw the advantage in a union of claims so combined and formed the Consolidated Middlings Purifier, more as a company to prosecute infringers than as a manufacturing concern. Neither group was slow to realize the enormous royalties obtainable if a monopoly were secured. In 1877 the American company filed a suit and subsequently won an injunction against a fictitious man, "a man of straw", in

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<sup>87</sup> Edgar, Medal of Gold, 58-59; 73-74.

<sup>88</sup> Ibid., 44.

the United States courts, Mr. Justice Miller making the grant. So quietly was the reissue made that millers had no representatives to prohibit it. To test the case, the company selected three concerns: Jewell's of Brooklyn, N.Y., Hexall's of Richmond, Va., and Washburn's of Minneapolis.<sup>89</sup>

The company seemed anxious to push the suit against the Washburn mills then under the management of J.A.Christian and Hazard. Christian assumed leadership of the two groups, and began preparation. The Purifier company succeeded in getting the court to require a bond of two hundred fifty thousand dollars, sufficient to pay all recoveries, against Washburn's mills. The court also required a quarterly report of all flour fabricated in the mills during the pending suit. Washburn, cutting short an eastern seashore vacation with Woodman, "had to make tracks for Minneapolis" and secure bonds-<sup>90</sup>men. It was with some difficulty that he raised the bond, not because of the lack of security but rather than the Cockrane patent representatives had threatened millers with suits if they went bond. Millers were not long in realizing that Washburn's fight, as the largest miller in the Northwest, was their fight, and lent such support as they deemed neces-<sup>91</sup>sary.

Both sides began preparing for the suit. The patentees requested a royalty of five cents a barrel for all flour fabricated with the aid of purifiers. Millers thought the tribute

<sup>89</sup> New York Tribune, July 28, 1877.

<sup>90</sup> Woodman to C.L. Stephenson, August 10, 1877, Woodman Papers; Northwestern Miller, July 6, 1877.

<sup>91</sup> Ibid., July 20, 1877.

high, estimating it would cost them a million dollars a year. Publicly, Washburn maintained the machines in his mill were in no way an infringement on the American purifier patent, but that they were either originals or duplicates of the French make. The newness of the system was erroneous, he stated, since the process was known in France and patented there in 1855, long before the Cochrane process came into existence. It was the clumsiness of the La Croix machine which forced him to buy the French make.<sup>92</sup> Washburn, also, enlisted the aid of the Minnesota State Millers' Association in his fight against the Cochrane patent holders. The Minneapolis Board of Trade soon came to his aid, well knowing that the victory for plaintiffs meant a curtailment of flour manufacturing in the city, by memorializing Congress to ascertain the legality of the re-issued patent.<sup>93</sup> Other state millers' associations supported Washburn. One of the first was the Missouri association which, at its annual meeting, came with both financial and moral support. The Missouri millers, realizing that nearly a hundred thousand dollars would be needed to successfully maintain the French origin of the machine, assessed themselves five dollars a buhr which they forwarded to the central defense fund. George Bains, owner of the Atlantic mill and president of the Missouri group, expressed his willingness to spend twenty five dollars per set of buhrs in Washburn's defense, and even sent his own counsel to

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<sup>92</sup> Northwestern Miller, July 20, 1877; New York Tribune, August 7, 1877; August 10, 1877.

<sup>93</sup> Northwestern Miller, July 27, 1877.

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 Minneapolis. The Maryland millers, together with other eastern and southern associations, joined in the widespread fight "against the Cochrane frauds."<sup>95</sup> The general acceptance by various associations of the necessity to engage in the legal battle shows the extensive use of the purifier and the realization that the three mills were fighting the battle for all. To secure a more uniform aid, the Millers' National Association was formed and elected George Bains president with J.A. Christian as chairman of the executive committee. After assessing five dollars a set of buhrs, they hired counsel to defend the accused.<sup>96</sup>

The support of the various organizations voted for the legal battle against the Consolidated Middlings, and the vociferous attack conducted by Washburn in the press called for counter action by the plaintiffs. The rebuttals showed animosity and sarcasm comparable to the press interviews by Washburn. "Will the governor dare say that he has not by working this process sold many thousands of barrels of flour at a profit of more than three dollars a barrel? It is notorious that they have grown enormously rich out of it, and went to France to buy the poorest machines in use on this continent, to prevent any inventor making a dollar out of them. They refused to join the Minnesota State Association until the day we made demand on them, and then made haste to get their neighbors to share the expense. . . . The use of this process

<sup>94</sup> Northwestern Miller, July 21, 1877.

<sup>95</sup> Ibid., August 17, 1877.

<sup>96</sup> Edgar, Medal of Gold, 45.

has made millers rich, but it has not made them generous.

It has added millions to the price of the farmer's wheat crop

. . . ."<sup>97</sup> The continued loyalty by the St. Louis millers earned for them the chance to defend themselves in a similar suit. Bains' Atlantic mill was considered as a just place to start in that milling area, but Justice Miller refused to grant an injunction against any of the group. As the Millers' National Association conducted the defense the milling press considered the refusal as a step towards ultimate victory for Washburn.<sup>98</sup>

All during the litigation the La Croix family enjoyed the support of the milling interests. Although the inventor and his brother had died in 1874, leaving their rights to the family in charge of Joseph La Croix, Edmund La Croix's son, the family continued to manufacture, in a very small way, the machines. About the time Smith organized his company, he went to the titular head of the family and sought to purchase the La Croix rights, offering a sizable sum, which was refused. The millers came to their support and agreed to protect their interests. However, as the suit went on and involved a large expenditure of money, the family was soon forgotten. The exceptional loyalty brought them only poverty.

The litigation became expensive, and while the prospect for a favorable decision seemed imminent, the case was settled out of court in 1879. In the compromise, the claimants agreed to dismiss all suits and to license all machines in mills be-

<sup>97</sup> New York Tribune, July 30, 1877; St. Paul Pioneer Press, August 16, 1877.

<sup>98</sup> Northwestern Miller, September 28, 1877.

longing to the national association members. The millers, on the other hand, agreed to purchase "no infringing machines."<sup>99</sup> The Smith company now had a virtual monopoly. In the settlement no arrangement was made to reimburse the La Croix group for their refusal to sell out to Smith. They were not even allowed, by virtue of the settlement, to continue manufacturing the La Croix device. They were completely ignored. The very fact that the millers agreed to use none but the Smith machine made it impossible for them to continue. The family, facing poverty in later years, turned to Minneapolis for aid where a modest sum was raised and administered in their behalf by the Northwestern Miller. Smith dissipated the enormous profits<sup>100</sup> the monopoly gave him and ultimately went into bankruptcy.

The great profits of the early 'seventies did not continue throughout the decade. As more mills introduced the more modern equipment, the amount of western spring wheat flour on the eastern markets increased greatly. The price and profits decreased. The production of spring wheat augmented with the influx of new machinery. Flour manufacturers, rather than see the grains exported for eastern manufacture, converted the raw material into flour, taking a lower ratio of profit. Washburn, in view of the changes in markets, felt constrained to improve the milling machinery cutting down the waste as a means of aggrandizing his profits. Simultaneously, it became harder to purchase wheat at low prices, for market flurries due to bad harvests, war scares, and buying associations became almost

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<sup>99</sup> Edgar, The Story of a Grain of Wheat, 158-159; Northwestern Miller, March 21, 1879.

<sup>100</sup> Edgar, The Medal of Gold, 47.

epidemic.

The years of 1876 and 1877 were poor ones for wheat. The vicissitudes of March and April, alternating freezing and thawing of the plant-bed submerged in water and sealed in ice by turns, destroyed wheat in the unfavorable soils of the more northern belt. Northwestern production declined some 36,000,000<sup>101</sup> bushels, but was made good by increased yield in other states. Minnesota's 1876 production dropped to 16,000,000 bushels, but the average price rose four cents to bring ninety cents a bushel. Flour on the New York market correspondingly increased from a low of \$4.80 in January to a high of \$6.55 for Western Patent.<sup>102</sup> The outlook for the next year was better with flour opening strongly at thirty cents over the December close. The price continued upwards until May when Western Patent brought \$8.25. Washburn was reported as having made a quarter of a million dollars in the rise of flour.<sup>103</sup> Other concerns profited similarly. The Turko-Russian war promised large profits for millers, and Minneapolis flouring mills ran full time in the hope for enlarged orders. Wheat jumped a cent despite prospects for a bumper crop.<sup>104</sup> Minneapolis, with the means of converting some six million bushels of wheat into flour, loaded three east bound trains daily while the Washburn mill alone contributed one third that amount. The amount saved the state

101 Department of Agriculture, Special Report No.2, Report Upon the Condition of Crops (Washington, 1877), 7-9.

102 Report of the Commissioner of Agriculture for the Year 1876 (Washington, 1877), 91-99, 242.

103 E.B. Washburn to Washburn, May 26, 1877, Washburn Papers; Farm and Factory (La Crosse), May 4, 1877.

104 Farm and Factory, May 18, 1877.

by the conversion ran into thousands of dollars. The consumer of flour suffered most in the early months of 1877.

Washburn wrote to Woodman, "This Turkish war is a terrible thing for Turks and people who buy flour, but", he added playfully, "there it wont make any difference to you as an inferior article suits you."<sup>106</sup>

The anticipation for a profitable year, based on the supposition of a long and hard war, did not materialize. Wheat exports to foreign ports declined. England, always a large importer of American wheat, found new sources of supply in Germany, India, and the Baltic. The delay in the declaration of war, long enough to allow the Balkans to ship their wheat crop to the outside, contributed to no less degree in supplying England and western Europe. The great reserves in Liverpool and London were reflected in the light demand for American

flour.<sup>107</sup> This supply, plus the increased production in Minneapolis and other flour centers, dropped flour from \$8.25 in May to \$5.50 in December.<sup>108</sup> The mills felt the effect of the

<sup>105</sup> Northwestern Miller, October 12, 1877.

<sup>106</sup> Washburn to Woodman, April 25, 1877; Woodman to Washburn, April 26, 1877, Woodman Papers.

<sup>107</sup> St. Paul Pioneer Press, June 9, 1877; June 20, 1877; Report of the Commissioner of Agriculture for the Year 1877 (Washington, 1878), 199.

<sup>108</sup> Monthly prices for northwestern flour in New York for 1877:

January	\$6.85 to \$9.50	July	\$6.40 to \$11.00
February	6.90 " 10.00	August	6.00 " 9.75
March	5.80 " 10.00	September	5.35 " 9.00
April	6.20 " 10.50	October	6.50 " 9.00
May	8.25 " 12.00	November	5.75 " 9.50
June	6.75 " 11.00	December	5.50 " 8.75

Report of Commissioner of Agriculture 1877, 204-205.

slump, many closing as the result. Washburn's great profit was greatly diminished by the decline. The year 1878 proved little better. Increased acreage forced the national price down. Although the Minnesota production was down five million bushels and the Iowa crop six and a half million, both due to the hot July and August winds, the price slumped forty cents to the low of fifty-one cents a bushel.<sup>109</sup>

Notwithstanding the vicissitudes of the market and weather, B. mill, under the management of Washburn, Crosby and Company, prospered and paid handsome dividends. Nor was Washburn A far behind; for in the same year it was producing about twelve hundred barrels daily, mostly for export trade. The demand for Washburn flour grew so steadily and the possibilities of direct export trade seemed so feasible that Washburn laid plans for another mill for the next fall's grinding.<sup>110</sup> Mill architects designed the new mill, designated as Washburn C, as an adjunct to B mill for thirty run of stone, making it the second largest mill in the district.<sup>111</sup> Only the latest equipment was to be installed, and a new canal, capable of using the new power wheel, was dug from the mill company's dam. The turbine now had the force from a forty foot head of water.<sup>112</sup> Everywhere in the neighborhood of Washburn mills there was a fever of excitement. "In looking over the property,"

<sup>109</sup> Report of the Commissioner of Agriculture for the Year 1878 (Washington, 1879), 258-266.

<sup>110</sup> Edgar, The Medal of Gold, 66-67.

<sup>111</sup> St. Paul Pioneer Press, September 17, 1877.

<sup>112</sup> Northwestern Miller, March 29, 1878.

wrote Washburn's brother-in-law, "I thought with seeing the carloads of wheat coming in, and the same loaded with flour going out, I never saw a more flourishing spot."<sup>113</sup> But before C mill was completed, the mill explosion of May 2, 1878 changed all plans.

The flour dust explosion and accompanying fire destroyed six mills and killed sixteen persons. The total amount of destruction was estimated at a million and a half dollars. Washburn alone computed his loss to be nearly a half a million dollars, covered by one hundred seventy-five thousand dollars of insurance.<sup>114</sup> He made no attempt to ascertain the indirect loss. The news of the disaster advanced Minnesota Patent twenty-five cents over the previous night's close.<sup>115</sup> Woodman, administrator of the Kelsey Trusteeship, quickly informed his clients that the destruction of Washburn A and adjoining mills would indubitably end the quarterly installments of six hundred twenty-five dollars from various water power leases.<sup>116</sup> The beneficiaries of the trust asserted that the gift of the Washburn Observatory to the University of Wisconsin and the grantor's insistence of the projected European trip indicated that "he was not busted."<sup>117</sup> Washburn informed the trustee of the heavy financial loss and the loss of life, but stoutly

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113 C.L. Stephenson to Woodman, May 10, 1878, Woodman Papers.

114 Washburn to Woodman, May 11, 1878, Woodman Papers.

115 St. Paul Dispatch, May 4, 1878.

116 Woodman to Albert W. Kelsey, May 3, 1878, Woodman Papers.

117 A.W. Kelsey to Woodman, May 29, 1878, Woodman Papers.

assured his friend that "we shall come out right side up,"<sup>118</sup>  
 showing his assurance by proposing a seashore vacation.<sup>119</sup> The  
 destruction of A mill caused speculation as to Washburn's future  
 role in flour. The explosion offered him an opportunity to re-  
 tire completely from the field, and draw the rental revenues  
 from the slightly damaged B mill. The answer to the public's  
 query was known upon the arrival of Washburn from Madison the  
 day after the catastrophe. Less than two hours after his ar-  
 rival, he was among the ruins directing the new addition to B  
 mill.<sup>120</sup> Pacing off an additional distance, he ordered the  
 builders to construct a larger addition known in the plans as  
 C mill. The hastily added space gave C mill more room than it  
 could economically utilize until 1899,<sup>121</sup> the difference being  
 in the newer equipment.

The variety of theories attending the explosion caused  
 difficulties in insurance collection. The question of coverage  
 and responsibility arose immediately with all companies looking  
 for any loophole to withhold payment. Adjusters and news sheets  
 both expounded theories for the explosion, and the various city  
 inhabitants did not refrain from the sport.<sup>122</sup> Despite theories,  
 the insurance companies universally maintained their policies  
 fire and not explosion, with the consequence that the loss was  
 not covered. The state insurance commissioner found that not

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Washburn to Woodman, May 11, 1878, Woodman Papers.

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Ibid., May 19, 1878.

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C.L. Stephenson to Woodman, May 10, 1878, Woodman Papers.

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Rogers, "History of Flour Manufacturing in Minnesota," in  
Minnesota Collections, 10:52.

122

St. Paul Dispatch, May 4, 1878.

all insurance companies were licensed to do business in the state, these agencies holding one hundred twenty-five thousand<sup>123</sup> of the coverage. After several days of estimation and adjustment, the adjustors agreed between themselves to offer settlement at fifty cents on a dollar. Upon approaching Washburn and receiving his refusal of the settlement, the adjustors turned in reports with the proposal of defense in suit rather than payment. The uncompromising attitude of Washburn won him payment of one hundred thirty-five thousand dollars before November, 1878. Settlement on the remainder was not made until 1880,<sup>124</sup> after nearly two years of litigation. During the intervening period Washburn was subjected to criticism from legitimate agents for the brokerage of his insurance. Theodore Rodoloff, of La Crosse, formerly from Mineral Point, maintained in the Northwestern Miller that the object of Washburn's lawsuits was to "first, to create sympathy for himself; secondly, to call the attention of the world to his mammoth flouring mills, and thus advertise himself and his business. He does not deserve sympathy as most of the business was done in violation of law. . . ."<sup>125</sup> Continuous refusal of payment and the attack by agents caused Washburn to attempt the exertion of public pressure upon the companies. in the same milling organ he vehemently attacked the companies now

<sup>123</sup> "Eighth Annual Report of the Insurance Commissioner of the State of Minnesota," in Executive Documents of the State of Minnesota," in Executive Documents of the State of Minnesota for the Year 1878 (3 vols., Minneapolis, 1879), 3:XXXIX.

<sup>124</sup> Edgar, The Medal of Gold, 88-92; Washburn to Woodman, October 20, 1878, Woodman Papers.

<sup>125</sup> Northwestern Miller, August 20, 1880.

in suit, and made known the treatment he had received. Several companies, with insurance policies on the restored A mills taking umbrage, threatened to raise the insurance from four to five percent or cancel the policies. The Northwestern Miller quickly came to the defense of Washburn and editorialized that since insurance, like flour, was a commodity, anyone has the right to comment on the inferior quality. It was just as unfair to raise the rates, it further stated, because of Washburn's attitude, as for him to maliciously change the price of all flour purchased by the presidents of the several insurance companies.<sup>126</sup>

The outcome of the attack was the formation of the Millers and Manufacturers Mutual Insurance Company, in May, 1881, to which both Washburn, Crosby and Company, and C. C. Washburn were subscribers.<sup>127</sup>

No time was lost in constructing Washburn C. All the available common labor Washburn could muster was turned toward the completion of the plant. He had no intention of losing the recently cultivated foreign markets which continually purchased his flour. A large addition, therefore, was made requisite by the demand. Scarcely had the work begun on the new foundations, laid out soon after the explosion, than they were changed, making<sup>128</sup> room for wheat cleaning machinery and storage binds. The latest machinery was installed. Since the explosion in A mill was due to flour dust, he incorporated the latest type of a

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<sup>126</sup> Northwestern Miller, September 10, 1880.

<sup>127</sup> Ibid., May 20, 1881.

<sup>128</sup> Ibid., September 6, 1878.

millstone exhaust machine to prevent the diffusion of flour dust, and contracted with William de la Barre, who remained with the firm, for its installation.<sup>129</sup> For the purpose of further safeguarding the life and health of the workmen, he installed the latest type of fire-escapes<sup>130</sup> and bathtubs.<sup>131</sup> The escape received its baptism in the fire which swept the milling district in the fall of 1878, destroying the Pillsbury and Anchor mills,<sup>132</sup> and threatening Washburn B. By pushing construction on the new C mill Washburn was able to furnish his customers with flour. The annual output for all Minneapolis mills for 1878 was 940,000 barrels, five thousand above the previous year.<sup>133</sup> The year following production rose to 1,551,000 barrels and shipments for the first ten months passed the million barrel mark,<sup>134</sup> one half going into the export trade. Washburn still retained the leadership in flour manufacture, contributing about one third of the supply.

Destructive as the milling explosion was, it provided an opportunity for the installation of new milling machinery. With markets becoming saturated with spring wheat flour, Washburn had constantly to seek a reduction of manufacturing costs and to improve the quality of his flour in order to maintain the standard. It was Washburn, after all, who leased the mills to Washburn, Crosby and Company and who owned the

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129 Edgar, The Medal of Gold, 97-99.  
 130 Northwestern Miller, November 29, 1878.  
 131 Ibid., June 27, 1879.  
 132 Ibid., December 13, 1878.  
 133 Ibid., March 19, 1880.  
 134 Pioneer Press, October 14, 1879.

brands, and he therefore felt obligated to improve the equipment. To this end he had gone to Europe in 1874 to study the European mills and had returned with Austrian machinery destined to cut milling costs "25 cents a barrel." Previously, he had sent George Christian abroad where he spent time in France, Italy, and Hungary. He had encouraged La Croix, and when the machine operated clumsily he sent abroad for French purifiers. The cost of new equipment did not at all deter him from installing it. Subsequently, he became interested in the roller mill process and in 1877 made a trip to Budapest to study them although Christian had brought back a set from his European visit, and had experimented with them without much

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success. The Hungarian wheat was similar to that grown in the Northwest and Hungarian flour had received high ranking among merchants.

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The product of those mills was extensively exported, and the amounts of it reaching the United Kingdom increased so rapidly that it threatened to supersede the market

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Washburn had so carefully built up there. A Liverpool mill had installed a set of rollers in 1870, and in using wheats of all lands mixed together produced a flour which brought premium prices in the local markets. In addition to quality, the Hungarian mills had an added feature for Washburn: they had cut

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Northwestern Miller, August 10, 1883.

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Edgar, The Medal of Gold, 96.

137

Henry Simon, "Modern Flour Milling in England," in Minutes of Proceedings of the Institution of Civil Engineering, 191-233 (London, 1882).

the cost of milling and the dividends declared by Budapest mills reached forty percent.<sup>138</sup> Since the cast iron rollers of Christian's make proved unsatisfactory porcelain rolls perfected by Wegmann of Zurich were imported for use. A set was soon imported for B mill but the explosion made that impossible. Washburn sought the aid of Adolf Fischer, a milling engineer of Budapest, for plans for the machinery of C mill; but upon the receipt of the plans they were found unsuited for American methods and discarded.<sup>139</sup>

In the first part of 1879, Washburn C, with a run of forty-two stones and capable of producing nearly seventeen hundred barrels of flour every twenty-four hours, began operation under the management of Washburn, Crosby and Company.<sup>140</sup> So hastily had the building been constructed that a space some eighteen feet wide and three stories high existed free from any machinery.<sup>141</sup> Into this space Washburn decided to place an experimental set of rollers designed by William Gray upon information collected in Europe, from Hungarian milling employees who now flocked to Minneapolis, and from the Centennial celebration in Philadelphia. The mill was manufactured by Allis-Chalmers of Milwaukee. From the inception the experimental mill proved unsuccessful. Supposedly capable of grinding two

<sup>138</sup> Henry Simon, op. cit., 192.

<sup>139</sup> Edgar, The Medal of Gold, 94-98; Kuhlman, The Flour-Milling Industry, 120-123; P.V. Lawson, "The Inventor of the Roller-Flour Mill," in Wisconsin State Historical Society, Proceedings, (1907): 244-255.

<sup>140</sup> St. Paul Pioneer Press, December 24, 1878; Northwestern Miller, January 24, 1879.

<sup>141</sup> Edgar, The Medal of Gold, 100.

hundred barrels a day, it did about half that much. It was decided that the discrepancy in capacity was due to the kind of rollers used and therefore four Ganz foreign make corrugated steel rollers were substituted for the porcelain break rolls. The next step was the substitution of a belt for gear drive. Declared successful, Washburn shut down B mill, remodelled it<sup>142</sup> and equipped it with rollers, leaving C mill with buhr stones. The newly equipped B mill became the first automatic roller mill in operation.<sup>143</sup> Costs were accordingly reduced. Washburn seemed at last to reach the acme in flour production. A Hungarian miller estimated that rollers did thirty percent more work and required forty-seven percent less power.<sup>144</sup> There was no need now to close down for the redressing of stones. More important was that they increased the flour yield from a given amount of wheat.

Washburn B did all that was expected of it; it reduced costs and manufactured a high grade flour readily acceptable by consumers. Pleased with the operation of the mill, Washburn began plans of rebuilding Washburn A. In the spring of 1879 he set a crew to work cleaning up the debris left from the explosion of 1878.<sup>145</sup> About six months later he purchased additional frontage on the canal from R.D. Warner at the reputed consideration of ten thousand dollars.<sup>146</sup> Washburn A was then

<sup>142</sup> Northwestern Miller, August 8, 1879; Edgar, The Medal of Gold, 104; Kuhlman, The Flour-Milling Industry, 122.

<sup>143</sup> Edgar, The Story of a Grain of Wheat, 164-165; Kuhlman, The Flour-Milling Industry, 120-123.

<sup>144</sup> Northwestern Miller, November 4, 1881.

<sup>145</sup> Ibid., May 23, 1879.

<sup>146</sup> Ibid., September 17, 1879.

constructed in two units, each capable of operating independent  
of each other,--the west half going into operation June, 1880.<sup>147</sup>  
Again Washburn exhibited dissatisfaction in the cheapness of  
operation. Scarcely was A mill completed than de la Barre was  
sent abroad to study the Hungarian system completely with view  
of putting machinery, designed to meet American needs, into  
part of the east half of the mill. The study proved exception-  
ally fruitful, and by the early winter de la Barre had success-  
fully designed milling machines suitable for the mill, and in  
1881 had placed the unit in operation,<sup>148</sup> a result of French,  
Hungarian, and American milling ideas.<sup>149</sup> The Washburn mills  
now had a capacity of six thousand barrels a day, A producing  
three thousand, B with two thousand, and C, still using stones,  
one thousand.<sup>150</sup> For all practical purposes, Washburn's in-  
dustrial career ended in February, 1881 when he suffered from  
a paralytic stroke; yet despite months of inactivity he laid  
plans for the enlargement of A mill to produce forty-two hund-  
red barrels and the construction of a newer and larger mill  
designated as D.<sup>151</sup> Doubts had been expressed as to the  
practicability of the installation of new machinery in A,  
mill. Denizens once more used the words "Washburn's Folly",  
this time describing A mill. Rumors spread as to its dis-  
position, since it shut down early in 1882 for an indefinite

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147 Northwestern Miller, June 25, 1880.

148 Edgar, The Medal of Gold, 107-109; St. Paul Pioneer Press,  
January 19, 1881.

149 Rogers, "History of Flour Manufacture in Minnesota," in  
Minnesota Collections, 10:49.

150 Edgar, The Medal of Gold, 109.

151 Northwestern Miller, March 18, 1881.

period. Words passed from one to another that Pillsbury had leased it, or that it was advertised for sale. Even dissolution was rumored, due to the ill health of Washburn,<sup>152</sup> which was not entirely unfounded. Friction appeared in Washburn, Crosby and Company, necessitating harsh methods by the mill's owner.<sup>153</sup> Washburn's illness seemed to destroy the unity of the company as his subsequent death almost closed permanently the mills. A mill did have more space than it could successfully utilize for ten years.

Meantime the renown of the new Washburn flour spread rapidly eastward where prominent millers acclaimed the virtues of it.<sup>154</sup> The introduction of the roller mill process brought an increase in milling profits. The usual spiral of overbuilding was followed by all mills, and Washburn felt constrained to shut A down indefinitely in 1881.<sup>155</sup> Previously, however, at the Millers' International Exhibition of May, 1880, the flour from Washburn's completed mills won the gold, silver, and bronze medals by the Superlative, Extra, and Parisian brands--products of spring wheat flour. In the summer of that year the use of "Gold Medal" was suggested as a brand and flour was shipped under that mark.<sup>156</sup>

The question of wheat purchases early confronted Washburn

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- 152 Northwestern Miller, January 6, 1882.  
 153 Woodman to Washburn, January 31, 1882, Woodman Papers.  
 154 Woodman to Washburn, September 5, 1879, Woodman Papers.  
 155 Woodman to Daniel Thompson, November 27, 1880, Woodman Papers; Martin E. Newell, "A Page Turned in Milling History," in Northwestern Miller, April 8, 1931.  
 156 Northwestern Miller, June 11, 1880.

and other millers. What they wanted was good wheat at a cheap price, thus being able to realize greater profits. Although there was competition between them, an additional amount was furnished by outside buyers, notably stockholders of trans-Wisconsin rail lines. In this regard, Washburn found the Milwaukee and St. Paul, headed by Mitchell and Merrill of Milwaukee, were greatest offenders to the milling group, and had profited to the amount of a million dollars in the late sixties. The purchase and hauling of wheat past the very doors that sought to convert the raw material into a finished commodity caused nothing short of a minor panic among both the millers and the west side power interests. The situation appeared a calamitous one to Washburn for he felt, until the early 'eighties, obliged to furnish transportation facilities to the clients of the water power company. Also, he felt the necessity of securing wheat for his own mills and by consequence entered into any means that might secure those two ends.

The organization of the Minneapolis Millers' Association was shrouded in mystery, but its purpose was evident. It came into existence the first part of 1869, but was not incorporated until August, 1876.<sup>157</sup> Essentially, it was a building association designed to eliminate competition between millers and to stifle competition between millers and outside buyers.<sup>158</sup> William H. Dunwoody, as the central figure of the pool, organized it,

<sup>157</sup> "Annual Report of the Secretary of State for the Year Ending November 30, 1876," in Minnesota Executive Documents (2 vols., St. Paul, 1877), 1:53.

<sup>158</sup> St. Paul Dispatch, September 6, 1878.

set the prices of the wheat, delimited the buying territory, and parcelled out the wheat, on the basis of grinding capacity, among the mills. <sup>159</sup> Purchases in territory outside the pale of the association were legitimate, but here the buyer had to meet both Chicago and Milwaukee competition. <sup>160</sup> So well organized was the pool that foreign competition was eradicated in the association's territory. Once rid of outside buyers the pool appeared not to lower prices, keeping them a nickel above Milwaukee wheat, but to lower the grade. <sup>161</sup> The farmers made vocal the attack in the Congressional campaign of 1878

<sup>159</sup> "The Influence of the Minneapolis Flour Mills Upon the Economic Development of Minnesota and the Northwest," in Minnesota History, 6 (1925):141-154; Edgar, The Medal of Gold, 67; Appleton's Annual Cyclopaedia and Register of Important Events of the Year 1881 (New York, 1883), XXI: 588.

<sup>160</sup> Iowa and southern Minnesota, outside the association's buying belt but inside the Milwaukee and Chicago areas, furnished much of the wheat for the Minneapolis mills. Generally, the millers found a greater supply and lower price there. The following is the production and average price for the two states for the decade:

	Iowa		Minnesota	
1870	20,445,000 bu.	\$0.78	16,022,000 bu.	\$0.83
1871	18,400,000	.96	12,016,000	1.00
1872	22,080,000	.85	23,200,000	.83
1873	34,600,000	.79	28,056,000	.80
1874	33,908,000	.65	21,338,000	.70
1875	29,800,000	.71	27,200,000	.86
1876	17,600,000	.90	16,000,000	.90
1877	37,810,000	.87	33,324,346	.91
1878	30,440,960	.50	28,824,000	.51
1879	32,786,880	.92	31,886,520	.94
1880	33,178,205	.82	40,395,696	.87

Report of Commissioner of Agriculture for the Year 1870 (Washington, 1871), 32; 1871 (Washington, 1872), 22-23; 1872 (Washington, 1873), 17-18; 1873 (Washington, 1874), 48; 1874 (Washington, 1875), 31; 1875 (Washington, 1876), 28; 1876 (Washington, 1877), 91-99; 1877 (Washington, 1878), 157-165; 1878 (Washington, 1879), 258-266; 1879 (Washington, 1880), 128-135, 168; 1880 (Washington, 1881), 185.

<sup>161</sup> Northwestern Miller, October 5, 1878; St. Paul Pioneer Press, October 8, 1878.

when their champion, Ignatius Donnelly, and W. D. Washburn both sought election on the Republican ticket. Donnelly chose to make the fight on the Millers' Association, requesting an abolition of the brass kettle, pay for the wheat according to its milling value, and independent inspectors. Donnelly lost,<sup>162</sup> but in 1885 the farmers passed the test law.

The campaign seemed to awaken the millers to the fact that the misdeeds of others were laid at their door, although they were not beyond reproach. Dunwoody set the price of the wheat, but the country elevator men apparently did the work of reducing grades and prices. Fearing too great an ill effect, millers began to build elevators at country stations and at the Falls. Washburn, in an effort to supply millers who purchased his water power, built one of two hundred thousand bushel capacity in 1874, and after the explosion enlarged it.<sup>163</sup> By the elevator system, millers were better able to buy the wheat in the fall at the time the miller desired to sell.<sup>164</sup> All form of standardization and control were used. The St. Louis buyers had established a set of rules governing the grades of wheat.<sup>165</sup> This led to one by the Milwaukee market, and in September, 1878, the millers adopted the rules set down by the Milwaukee Board of Trade.<sup>166</sup> Two months later the association went on record as deprecating the use of wire binders for wheat, claiming they

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<sup>162</sup> Kuhlman, The Flour-Milling Industry, 142-143.

<sup>163</sup> Washburn to Woodman, September 13, 1874, Woodman Papers; Bliss Papers.

<sup>164</sup> Hudson, A Half Century of Minneapolis, 356; Northwestern Miller, December 30, 1881.

<sup>165</sup> Northwestern Miller, June 29, 1877.

<sup>166</sup> St. Paul Dispatch, September 27, 1878.

damaged the stones. They enforced the decree by paying ten cents less for wire bound wheat. The farmers, having no other recourse than verbosity, claimed the millers had acted for no other purpose than to protect a paper binder manufacturer of Minneapolis.<sup>167</sup> The association, however, did not survive long its incorporation.<sup>168</sup> Legislative action weakened it. The new milling technique, as noticed in the English port mills, called for wheat mixtures and this made control impossible as purchases came from a wide area. The organization of the Minneapolis Board of Trade by eastern grain merchants in 1881 ultimately worked toward a dissolution of the association.<sup>169</sup> Pillsbury and Washburn were among the first to withdraw, and began building elevators to satisfy their own needs. As a precautionary measure, however, Washburn had extended his railroads into the grain fields in order to assure himself of a constant supply of raw materials.

The increase of flour production from the Washburn mills presented a problem of sale and distribution. The output of B mill under the management of Judd and Brackett was generally sold locally, and this limited sale was one cause of their failure. Even under George Christian's active management, there was no attempt to manufacture for shipment.<sup>170</sup> However, wheat surplus which the Falls mills had was usually sent to St. Louis

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167 Northwestern Miller, November 22, 1878.

168 Ibid., February 7, 1879.

169 Ibid., June 24, 1881.

170 W.D. Washburn to Washburn, June 3, 1869, Washburn Papers.

where millers blended it with their own flour. With the new process came a rapid increase in flour production, and, although flour still continued to move down river, a demand sprang up in the East among merchants. Exporters, too, took surplus amounts, put on their own label and sold it abroad. George Christian, however, began a new innovation: that of selling flour under Washburn's name but without a uniform label. The usual method of sale under this system was by consignment to flour brokers or commission men who either stored the flour, sold it in small amounts, or purchased it outright. The system of consignment delayed payment and cut into the profits, both auguring badly for the building program proposed by Washburn. So great were the procrastinations that the successors of George Christian and Company devoted much attention to the matter.

George Barnum made the best attack on this problem for Washburn. Barnum had purchased a thousand barrels of Washburn's spring wheat flour with the expectation of selling it in the copper country of Michigan. After hauling it back and forth on lake steamers all summer and fall, he stored it at Hancock, Michigan, informing the merchants that they could draw on the surplus any time they found themselves short. An early and severe freeze closed the harbor making it impossible for merchants to receive the annual supply of winter wheat flour. Consequently, they drew on Barnum's flour and paid him market price. Without authorization, Barnum contracted to furnish the merchants with flour yearly, and turning to Hazard with

the orders, convinced him of the merits of having salesmen dispose of flour in advance of production rather than shipments on consignment. The acceptance of Barnum as the first traveling salesman proved successful, for notwithstanding the competitions furnished by eastern mills and profound prejudices against spring wheat flour, he disposed of enough of Washburn B flour to augment the profits. The active and profitable work of Barnum, with the cultivation of the foreign market, no doubt contributed immensely to the reason for the construction of C mill in 1878.<sup>171</sup> The next attack was made by Charles C.G.

Thornton who established the branch office system. Thornton had milled flour in Madison during Washburn's governorship, and had made his acquaintance there. His perseverance attracted Washburn, for the Thornton and Robbins mill had been destroyed and in the face of overwhelming financial odds he rebuilt and successfully operated it. Washburn secured his services and made him supervisor of sales. Thornton, who never gave up his attachment for Boston, sold Washburn on the idea of establishing a branch office there, and he became the company's financial agent.<sup>172</sup> The system of branch offices instituted by Thornton proved highly successful and was expanded in the year following Washburn's death.

The credit for the development of a foreign market for Minneapolis flour belongs exclusively to Washburn. Foreign importers, noticeably the English, had purchased American

<sup>171</sup> Edgar, The Medal of Gold, 71-75.

<sup>172</sup> Ibid., 164-167; Northwestern Miller, September 7, 1877; June 28, 1878.

flour from exporters, but no direct shipments from the mills had been effected. The flour exported was not at all uniform. The American exporting houses bought surplus flour from mills located in various sections of the country. These exporters combined the different kinds, paying no attention to a scientific selection of a blend, and no regard to quality, texture, or uniformity. Such a system proved unsatisfactory, and did little to increase the demand for the American product. Factually, it made the English importers extremely conservative and not at all prone to try innovations. By overcoming this main obstacle, that of getting the British importers to receive flour directly, Washburn believed that less wheat and more flour would be exported which would result in greater profits for him. There was another difficulty; the New York commission men, in addition to changing the labels, collected too great a toll on the flour going into the export trade. The toll was not at all unlike that extracted by brokers and commission men on domestic sales. Direct shipment would eliminate these charges and contribute further to his profits. All of these reasons prompted Washburn to spend hundreds of dollars in developing the English market.

The plan of the Minneapolis Millers' Association in buying wheat cooperatively became the basis of another submitted to the millers by Washburn for the development of foreign markets. The plan called for a joint enterprise by

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173 Northwestern Miller, September 5, 1879.

all millers in systematically developing the foreign trade in Minneapolis flour. He believed that the millers should benefit in direct proportion to the investment of money in the project, and that by a system of uniform grades and price, all disastrous competition could be successfully eliminated. For one reason or another the plan met with little favor, so Washburn decided to promote a foreign market alone. In 1874-1875 George Christian went abroad with the purpose of introducing Washburn B flour upon the European market in addition to studying the systems of flour milling. He met with no success. About two years later Llewellyn Christian, of the second Christian concern, made a similar trip, and succeeded only in introducing flour samples to London buyers. Washburn next turned to William Dunwoody, who had successfully managed the wheat pool and had been an experienced flour merchant in Philadelphia, charging him to "go to England, start the people there buying our flour, and, where stand these mills, which now seem so large, will be erected others far surpassing them in importance and capacity." Dunwoody's task as buyer for the wheat pool was infinitely easier than the one for which Washburn had chosen him. Flour operators on the London exchange told him to sell through established American export houses. Some English importers felt too little acquainted with Minneapolis flour to risk any size order; while others held that the remoteness of the city from the English marts constituted a drawback to the development of flour trade. Merchants and bankers attacked the method of payment for flour, devised by

Dunwoody, as unsound. British millers, apprehensive of their markets, also opposed the importation. This group, not yet using the purifier and therefore unaccustomed to a white flour, claimed the extreme whiteness of Washburn's product gave evidence of adulteration and lack of purity. Accomplishing little in London, Dunwoody turned to Scotland and to a Glasgow importing house sold a small order of bakers' grade. This proved a leverage for sales in England and Ireland. The foundation of the export trade was thus laid. So acceptable was the American flour that it forced the price of the Hungarian product downward, and soon reduced its importation to a minimum.<sup>174</sup>

Direct flour exports from Minneapolis to England skyrocketed. Once the possibilities of a direct foreign market were opened to them, all millers participated in the benefits. Between September 1, 1877 and May 31, 1878, Minneapolis exported 67,396 barrels.<sup>175</sup> For the whole year of 1878 the milling press boastfully recorded direct exports of over a hundred thousand barrels.<sup>176</sup> In the month of December, 1878, nine thousand barrels were shipped to European markets.<sup>177</sup> To capture this source of revenue, railroads vied with one another in providing swifter transportation to one of the seaboard ports.<sup>178</sup> A system of transportation was so developed that

<sup>174</sup> Edgar, The Medal of Gold, 67-70; Northwestern Miller, September 5, 1879; February 11, 1881; St. Paul Pioneer Press, January 1, 1880; Hudson, A Half Century of Minneapolis, 344; Rogers, "History of Flour Manufacture in Minnesota," in Minnesota Collections, 10:53.

<sup>175</sup> Northwestern Miller, June 14, 1878.

<sup>176</sup> Ibid., February 11, 1881; St. Paul Pioneer Press, January 1, 1882. Shipments from Minneapolis to European ports: 1877, nominal; 1878, 109,183 bbls.; 1879, 442,598 bbls.; 1880, 769,442 bbls.; 1881, 1,278,379 bbls.

<sup>177</sup> Northwestern Miller, January 1, 1878.

<sup>178</sup> Ibid., August 30, 1878.

experimental shipments reached Liverpool within eighteen days after the Minneapolis loading.<sup>179</sup> Washburn, by virtue of his development of the market, contributed to the shipments.

Primarily all of the first years' shipments originated in his mills. By the time of the explosion on May 2, 1878, Washburn's A mill manufactured twelve hundred barrels of flour daily most of which went into export.<sup>180</sup> So important was the quick transportation of the flour that Washburn made through running agreements for the Minneapolis and St. Louis. By 1881, Washburn was sending thirty percent of the output from A, B, and C mills, amounting to nearly ten thousand barrels weekly, into export channels. Bakers' and low grade flour were chiefly in demand, but after 1879 the market for patent, introduced to the city trade, increased slowly.

Success on the continent was not nearly so noticeable. Belgium and Germany took large consignments of the low grade flour, but the latter country with its high duties imposed by Bismarck to protect Junker agriculture and German manufacturing soon closed that market.<sup>181</sup> Washburn still served all the leading ports of Europe from Bordeaux to Copenhagen; and before the end of 1881 Bucharest buyers, attracted by both the quality and price of flour,<sup>182</sup> appeared in the Minneapolis market.

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<sup>179</sup> Northwestern Miller, June 14, 1878.

<sup>180</sup> Pioneer Press, April 17, 1878; C.L. Stephenson to Woodman, May 10, 1878, Woodman Papers.

<sup>181</sup> Appleton's Cyclopedia, XXI:589; Northwestern Miller, January 22, 1879; St. Paul Pioneer Press, January 29, 1881.

<sup>182</sup> Ibid., January 31, 1881.

The exploitation of the English market by American millers cut heavily into the British profits. British millers found they could no longer grind American wheat and profitably compete with American flour, because a poorer grade of American wheat was exported, and because of the freight differential between flour and wheat. American millers, too, with a cheaper transportation, cheap water power and cheap wheat, silently pledged that no wheat should leave American shores save in the form of flour. Likewise, they strove constantly to maintain the quality of the manufactured product, and held up to the smaller millers, who greatly endangered their plan, the success of Washburn, Pillsbury, and other leading manufacturers as profitable operators in foreign markets.

To preserve the home market, British millers advocated the levying of import taxes. The Minneapolis milling organ strangely supported that policy. As a result the millers exhibited keen animosity toward the press because of its apparent stand in favor of the British. In order to appease them the press pointed to the southern market, now in the hands of Chicago, Cincinnati, and other cities, as a new field for development. It considered at great length the profits of this home market. "One good feature," editorialized the

183 St. Paul Pioneer Press, July 2, 1879. "It is interesting to note that the large imports of grain facilitate the export of iron by affording exceedingly low return freights. Large American orders for pig iron are now said to await execution, because of the difficulty to secure low freight rates to the United States on account of the considerably decreased imports of grain, in consequence of the American harvest being 30% less than in 1881." Simon, "Modern Flour Milling in England," in Minutes of Proceedings of the Institution of Civil Engineering, LXXX:192.

184 Northwestern Miller, September 12, 1879. The milling press even recounted the success Washington made in the West Indies, by maintaining the quality of the flour and exporting only under his own trade name.

185 Northwestern Miller, July 25, 1879.

Northwestern Miller, "about internal commerce between the North and the South is that is is a most powerful agent in removing sectional animosities and disputes, and should therefore be encouraged." <sup>186</sup> This market, however, catered to a demand for winter wheat flour, and since the domestic baking was in the hands of colored people who generally were illiterate and unable to follow the directions for the use of spring wheat flour, Washburn thought it impractical to develop the <sup>187</sup> market there.

The same milling press advocated also the development of the South American market, jointly controlled by English, Austrian, and Virginia millers. The Austrian flour brought a dollar more in that market because of the excellent manner in which it was packed. As for flour of American manufacture, the cheaper eastern kinds seemed more in demand, so Washburn made no attempt to cultivate the South American trade. The development of that market by the Washburn Crosby Company did <sup>188</sup> not come until the turn of the century.

The flour industry, with its expanding markets, presented problems in transportation and rates that were partially met by the individuals or the concerted action of millers. Until that time when flour ceased being a product of local consumption mainly, millers paid little attention to the two questions. However, by the time the capitalists had completed the Lake Superior and Mississippi Railroad in 1871, connecting the two

<sup>186</sup> Northwestern Miller, February 27, 1880.

<sup>187</sup> Edgar, The Medal of Gold, 212.

<sup>188</sup> Northwestern Miller, January 10, 1879.

waterways at Duluth and St. Paul, the Minneapolis flour industry had grown to such proportions that the millers and stockholders of the water power company constructed the Minneapolis and Duluth to join the former road, so as to enjoy the low rates the Great Lakes offered and to break the isolation created by certain trans-Wisconsin roads. Subsequently, a network of roads, both westward to the wheat fields and eastward to the lake and Chicago, radiated from Minneapolis rendering rail transport a possibility. Not the least of these was Washburn's Minneapolis and St. Louis.

During the navigation season trans-Wisconsin rail tariffs dropped to a minimum to meet the competition furnished by the lake steamers. With the close of navigation, however, rail rates jumped usually twice that of summer tariffs. The flour industry met this contingency by either storing flour until the return of spring, or by milling the wheat and rushing the manufactured product to consignees during the navigation season. Soon after the installation of the purifier, when the demand and production of flour was no longer seasonal, millers began agitation for cheap all weather routes. They became conscious of discrimination against them, and felt keenly the payment of their profits for transportation charges.

In 1875, Washburn learned of a partial failure of the wheat crop in France and England which made an appreciable increase in the demand for breadstuffs. <sup>189</sup> Simultaneously, there came a failure of the root and grass crops in Russia which likewise affected the market. Apparently in anticipation of price <sup>189</sup> E.B. Washburn to Washburn, August 5, 1875, Washburn Papers.

increase, the eastern roads raised the wheat transport price to thirty cents a bushel from Chicago, and flour correspondingly high so as to "virtually prohibit its exportation from the West and, consequently, its manufacture for exportation." The increase in rates showed the need for water routes and for rails owned by millers.<sup>190</sup> It was little wonder then men began to think again of Israel Washburn's speech of 1873 calling for a road to the East.

The increase of rates in 1875 marked another beginning of concerted action against the rails by the millers. The combinations which forced up the rates between Chicago and the seaboard now became the object. The roads sought to maintain the rates set early in 1875, and formed a pool for that purpose. The millers, meeting in Chicago, designed a plan to break the hold of these eastern roads by offering their business to the Baltimore and Ohio, realizing that unless it was accepted their flour would be tied up until spring navigation.<sup>191</sup> The trans-Mississippi milling interests failed to associate the increase in rates with the end of the panic of 1873 and the return of prosperity. During the intervening years, with an absence of foreign imports, no cars were needed for the distribution of foreign manufactured goods, and there was a piling up of equipment in the West for transportation of breadstuffs. Without other employment, rails bid heavily against one another for what little business there was, and the milling

<sup>190</sup> Weekly Pioneer Press (St. Paul), November 19, 1875.

<sup>191</sup> Ibid.; Railroad Gazette, August 8, 1874.

group found excellent cars and good service. But by virtue of their organization, which included the St. Louis group, the millers accomplished a part of their purpose. Some sort of suitable arrangements were made with eastern roads. Perceiving the effectiveness of united action, they perfected an organization upon which they could rely "whenever in the future the roads or any other interest shall threaten any unjust or exorbitant tax upon the fruits of industry." The success of the Chicago meeting prompted the Minneapolis millers to begin a movement for the removal of a discrimination of thirty-five to fifty cents in favor of the Milwaukee millers. They met with little difficulty.

Some millers believed that the lack of outlets in the milling district for the new railroads from the lakeboard into St. Paul caused high rates, and advocated the construction of a short line between the milling district and the latter city. Thereupon, they constructed a short line, the Minneapolis Eastern Railroad, between the two cities. This broke the monopoly held by the Minneapolis and St. Louis which had extensive track privileges in the milling district. The Eastern road, also, crossed the mill company's property, damaging it to the extent of thirty-six thousand dollars according to the court. Although the Eastern road broke the monopoly, the

192 Ernest R. McCartney, Crisis of 1873 (Minneapolis, 1935).

193 St. Paul Pioneer Press, December 24, 1875.

194 Ibid., January 4, 1879.

195 "Annual report of the Railroad Commissioner for the Year Ending June 30, 1878," in Executive Documents of the State of Minnesota for the Year 1878 (2 vols., Minneapolis, 1879), 2:504, "R.R. Report, June 30, 1879, in Minn. Ex. Doc., 1879 (St. Paul, 1880), 22.

196 St. Paul Pioneer Press, October 24, 1878.

Washburn road counteracted by laying more track in the milling section, thus retaining, through this accommodation, a plurality of traffic.<sup>197</sup> If certain millers hoped for a great decrease in rates they were sorely disappointed, for the Eastern road fell under the control of the Chicago and Northwestern. This latter company entered into pool relations with the powerful Milwaukee road, thereby contributing to a monopoly of the trans-Wisconsin trade. The only low rates that the millers now received were those gratuitously given by the pool which remained at odds with them during the periodic use of water transport. Washburn, not a member of the Eastern group, sagely retained for himself and the millers outlets unencumbered by the trans-Wisconsin monopoly: the Duluth opening, although closed part of the year, and the southern gateway to Chicago via the Chicago, Burlington Quincy.<sup>198</sup> This latter road resumed its fast flour train to the East in the closing days of 1878, so Washburn's foreign trade was little interrupted by railroad conditions.<sup>199</sup>

The Minnesota farmers, feeling the force of the Balkan wheat shipments to the English market, declared for low transport rates. They believed that competition with the Balkan wheat growers could best be met only by such reductions. The railroads failed to realize, the farmers philosophized, that since the Industrial Revolution concentrated large groups in

<sup>197</sup> St. Paul Pioneer Press, October 25, 1878.

<sup>198</sup> St. Paul Dispatch, December 13, 1878.

<sup>199</sup> Northwestern Miller, December 20, 1878.

small areas cheaper food was in demand. The agricultural group along with the millers advocated cheap rates, but by 1877, the millers had gained favoritism over the wheat producers.<sup>201</sup> Meantime, Washburn, through the southern gateway aimed to gain the advantages of the Southwestern Pool between Chicago and St. Louis which the latter millers had enjoyed since 1875. The rates had helped them maintain supremacy in the eastern market, which made them the leading milling center in the United States and a potent force in the export trade.<sup>202</sup>

The arrangements between the millers of the Falls area and the railroads, especially the Chicago-New York trunk lines, were not permanent ones. Either the contracts terminated too soon, or were so loosely drawn that the rails could withdraw easily. The whole situation was brought to the front when a shortage of cars, noticeably from eastern trunk lines, occurred. Rails, in the late 'seventies and early 'eighties, made no attempt to allow passage of foreign cars over their lines unless compelled by law or by a general agreement between roads. Similarly, no attempt was made to carry goods brought by a non-agreeing connecting line, even if transferred at the station by drayage companies. Such conditions resulted in what came to be known as blockades. This system, plus that of wars between eastern trunk lines on the Chicago-New York runs,

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200 St. Paul Dispatch, August 5, 1878.

201 Northwestern Miller, June 22, 1877.

202 R. E. Riegel, "The Southwestern Pool," in Missouri Historical Review, 19 (1924-1925):12-24; "Western Railroad Pools," in Mississippi Valley Historical Review, 18 (1931-1932):364-377; Railway Age, September 9, 1880; St. Paul Pioneer Press, March 28, 1879.

whereby all lines attempted to furnish cars for any station between those points at all times, caused an intense feeling between millers and trunk lines. This contributed to the united action by millers for government regulation, and for a Minneapolis line to the East, a creation of Israel Washburne's mind and sketched for realization by Washburn.

In the latter part of 1880, the shortage of cars was particularly felt, due, the milling press argued, to the closing of lake transportation which resulted in overtaxing the carrying capacity of eastern trunk lines, a war between the eastern lines, and the greater revenue in handling live stock.<sup>203</sup> As a result, a portion of the Washburn mills closed when rail companies failed to move cars at connecting points on schedule, thus piling up flour.<sup>204</sup> A month later, notwithstanding heavy production and good orders, Washburn A shut down;<sup>205</sup> but shortly the situation improved sufficiently to allow for the movement of foreign flour. This failure to move flour contributed greatly to the financial hardships of Washburn, Crosby and Company, who necessarily borrowed on the bills of lading of flour in transit, and who expected payment when the commodity reached its destination. The blockade was felt also by local traffic, since wheat ship-

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<sup>203</sup>Northwestern Miller, December 10, 1880, November 11, 1881.

<sup>204</sup>Ibid., November 13, 1880.

<sup>205</sup>Ibid., December 24, 1880.

ments from country elevators were held up, likewise an element in the closing of mills. John Crosby vehemently attacked lack of judicious arrangement by roads periodically in the press. Millers disgusted with rail management had no alternative than to attack the rails and even relied on the farmers for support.<sup>206</sup>

The millers gave strength and force to their remarks through the action of the Millers' Association in the annual meeting held in conjunction with the exhibition of 1880. There, by a large vote, they passed a resolution calling upon Congress to establish a national board of railroad commissioners, and the state legislatures to organize auxiliary boards "to study and supervise the workings of these great highways, and recommend such legislation as may be necessary to protect the public interest."<sup>207</sup> The Northwestern Miller supported the resolution, editorically stating that competition gave no benefits either to the people or to business, and solemnly proclaimed as a truism that legislation which "favors none but the capitalist" must be changed.<sup>208</sup> Then, railroads alone were considered monopolies, but paradoxically enough, the very business the milling press championed within twenty years attempted monopolistic control of its output.

<sup>206</sup>Op. cit., December 31, 1880.

<sup>207</sup>Ibid., June 11, 1880.

<sup>208</sup>Ibid., January 21, 1881.

It was very early in the history of Minneapolis as a milling center that the millers turned to the Mississippi River as an auxiliary means of transportation. A canal around the Des Moines Rapids at Keokuk, Iowa begun in October, 1867 and costing nearly five million dollars, was opened for traffic in 1877 with a great celebration. The canal project, under the supervision of the War Department, received the support of the millers.<sup>209</sup> Another river project, and one receiving federal support, was the construction of Ead's jetties at the mouth of the river. Millions were spent to give the Mississippi a swifter current into the Gulf of Mexico. Scarcely short of completion, a British ship drawing twenty-four feet successfully navigated the river to New Orleans, and the St. Paul Pioneer Press hailed the feat with great enthusiasm, expressing little doubt powerful tugs with barges could be utilized to a great advantage in recapturing the declining river traffic, thus aiding in the reduction of rail rates.<sup>210</sup> Washburn, upon his return from the army, constantly sought low rates in order to increase the number of clients for his water power, and after the construction of B mill complained bitterly to the governmental authorities of the laxity among army engineers

<sup>209</sup> St. Paul Pioneer Press, August 23, 1877; Northwestern Miller, August 24, 1877, General W. T. Sherman to General C.C. Washburn, December 23, 1865; J. H. Wilson to C.C. Washburn, March 31, 1869, Washburn Papers.

<sup>210</sup> St. Paul Pioneer Press, November 9, 1879.

in maintaining the channel between St. Paul and Minneapolis. As a member of Congress, and later as governor of Wisconsin he gave support to project which had the improvement of conditions on the Mississippi as the goal. After the construction of the Minneapolis and St. Louis he paid little attention to the construction of trans-Wisconsin waterways which western shippers thought feasible. In the fall of 1878, the milling press laid great emphasis on the value of the three prominent river to lake waterways: the Hennepin canal route in Illinois; the Fox-Wisconsin route; and the St. Croix-St. Louis river route to Lake Superior. These routes proved more to the liking of the wheat shippers than to the flour millers. The latter wanted to attract wheat to the Falls rather than turn it away. <sup>211</sup> But the Fox-Wisconsin route loomed as a probability when the governor of Minnesota advocated improving that highway in 1869, computing the rate for wheat almost one third <sup>212</sup> the tariff requested by rail companies. Swift and cheap transport by rail soon changed ideas on river transports, but river traffic was slow dying.

The enthusiasm of the milling press appeared almost epidemic, for projects to still further utilize the river sprang up in almost every river town. Many were ephemeral, but the ones that seemed sure of success came from St. Louis,

<sup>211</sup>St. Paul Dispatch, June 11, 1878.

<sup>212</sup>"Annual Message of Governor Wm. R. Marshall to the Legislature of Minnesota, January 7, 1869," in Minnesota Executive Documents, 1869 (St. Paul, 1869), 1: 20; W.D. Washburn, ~~for~~ C.C. Washburn, June 8, 1869, Washburn Papers.

a city which enjoyed river traffic the year round. It was partially because of this reason that St. Louis millers secured low rates from the Pool roads. At the beginning of the summer in 1878, the Mississippi Valley Transportation Company, of St. Louis, gratified by the river improvement, sent two of its representatives to Europe with the object of organizing a company of English capitalists to place a fleet of iron and steel barges on the Mississippi and tributaries. The foreign capitalists gave little consideration to the project which proposed to make wheat rates cheaper to Europe and Asia.<sup>213</sup> In the fall of the next year shippers at St. Louis resuscitated the Mississippi Valley and Brazil Steamship Company. The purpose of this organization was to encourage trade between those two points. In bidding for the support of the upper Mississippi, the organizers chose Washburn as one of the directors of the corporation, in spite of the fact he held no stock. Washburn declined to serve, but expressed an interest in the project and "could see the need of steamships to take our flour there." He decried the fact "that Brazil could only be reached by Liverpool." As a means of building up the trade,<sup>214</sup> he proposed a mail subsidy. Some eight years earlier, shippers, between Winona and Stillwater, operated a line

<sup>213</sup>St. Paul Dispatch, June 24, 1878.

<sup>214</sup>St. Paul Pioneer Press, November 22, 1879.

on the northern part of the Mississippi to connect with the newly constructed Duluth road. So valuable was the line that rates on flour between Winona and Chicago dropped from a dollar and a half to one dollar.<sup>215</sup>

All of the proposals for the use of the river seemed stalemated when the Illinois Central made a contract with an English line of steamers for direct shipments from points on the line to Liverpool. The arrangements received little favor from Chicagoans, and were of little consequence to spring wheat flour millers who encountered difficulty in keeping flour from spoiling in the warm climates. "If the Illinois Central," said the Northwestern Miller, "can make money by so doing, carry the freight by all rail from Chicago to New Orleans, parallel with and near the Mississippi River, it goes to show that river navigation is of but little value to any except those living near its banks."<sup>216</sup>

Even the ocean freight lines were not free from pool operations. Certain American lines attempted to control the freight rates between the milling West and the foreign ports. The proposed pools seemed to be headed by the rail executives of the eastern lines, and millers interpreted the move as a further intention of those roads to make money from them.<sup>217</sup> Wheat and flour shippers joined in opposing

<sup>215</sup>Railroad Gazette, June 24, 1871

<sup>216</sup>Northwestern Miller, December 14, 1877.

<sup>217</sup>Ibid., April 2, 1880.

the Pools. The rail lines in the St. Louis district attempted to set a uniform rate from the western milling centers to Liverpool, but the cheapness of transportation on the Canadian lines destroyed that advantage. Minneapolis millers soon found they could send flour to Glasgow approximately fifteen shillings cheaper by using the Grand Trunk railway.<sup>218</sup> Washburn, appraising the situation and finding both his northern and southern outlets in the control of pool lines, began a project to build the St. Croix and Sault Ste. Marie line to connect with the Canadian lines. For the consummation of the design, he organized a gigantic Wisconsin rail corporation, with outlets at Superior and the Soo, but circumstances surrounding his health never allowed its completion. No general success was achieved in combating ocean rates. That, too, remained for the decades after Washburn's demise.

The paralytic stroke suffered by Washburn upon his return to La Crosse from New York, where he was negotiating for the sale of the Minneapolis and St. Louis, resulted in his death the following year. In the interim from February, 1881 until his death on May 14, 1882, active management of the Washburn mills rested entirely with Washburn, Crosby and Company. The period of confinement to house and bed caused a large amount of uneasiness among the leasees and the townspeople. Washburn A closed in December, 1881 because "of the

<sup>218</sup>Op. cit., March 26, 1880.

great difficulty in getting suitable wheat." The employees were dismissed with instructions to accept situations wherever obtainable.<sup>219</sup> From such a statement grew rumors of the sale of Washburn A, and the dissolution of Washburn, Crosby and Company,<sup>220</sup> but Washburn himself planned another mill, giving no credulity to the rumors.<sup>221</sup> The Northwestern Miller dismissed the hearsay by making it the product of ungrateful and discontented laborers. Nevertheless, there was uneasiness among the milling partners which bordered on dissolution.<sup>222</sup> The last partnership was formed in February, 1879, and with the usual five year term expiring within two years, the company felt a new lease must be secured soon. The mills were not in a corporation, and the leasees had a premonition that the estate might not be as generous as the founder. Operating costs grew while profits decreased, now that the milling revolution had effected such changes so that every miller bestirred himself to keep in advance of the latest machinery. This increased competition for the company, and caused erection of large financial structures far exceeding Washburn's.

The discontent worried Washburn and he called in Woodman, the only person whom he felt could be trusted. To-

<sup>219</sup>Northwestern Miller, December 30, 1881.

<sup>220</sup>Ibid., January 6, 1882.

<sup>221</sup>Edgar, The Medal of Gold, 110.

<sup>222</sup>Ibid., 95.

gether they drafted a letter designed to eliminate all uncertainty, but which apparently increased the apathy existing between them. "I rather thin," wrote Woodman, informatively, "that the letter which I drafted to be sent to your partners and was sent them has not borne good fruit. I have been in hopes that you would get your mills into a corporation before this time, but your letter makes me doubt whether you have been able to accomplish it. If you keep soul and body together for a few months longer, I rather suspect some of your partners will leave."<sup>223</sup> Nothing was done. The strained conditions continued, and the death of Washburn threw the ownership of the mills into the hands of the heirs. The will of Washburn called for the formation of a corporation, including all his flouring mills, after five years administration by the executors. This assured the concern of successful operation, but never met with favor among the heirs. W.D. Washburn came into a new firm which lasted until 1887.<sup>224</sup> But the executors planned no change in the set-up.<sup>225</sup>

Notwithstanding the fact that Washburn was without practical milling experience, he became one of the most progressive flour manufacturers in the world. His receptiveness

<sup>223</sup>Woodman to Washburn, January 31, 1882; Washburn to Woodman, March 28, 1882, Woodman Papers.

<sup>224</sup>"I feel," wrote Jeanette Kelsey, "that he [Washburn] would resent his brother's action if he were alive & it is enough to make him turn over in his coffin to think of Uncle William getting into his mill as a partner which he would never have permitted if he had lived." Jeanette Kelsey to Woodman, November 14, 1882, Woodman Papers.

<sup>225</sup>Northwestern Miller, May 26, 1882.

to new methods and his ability to discern the needed improvements in his mills marked him as a leader in the milling field. Early he became impregnated with the idea of manufacturing the best flour in the world, and consequently there was no end to the money he spent to achieve his ideal.

The real basis of his success was his confidence in the expansion of the wheat growing district, and the need for flour by a steadily increasing consuming population. But, if that were the basis, the greatest single contributing factor to his financial success was the introduction of the new process milling and the middlings purifier into his mill. The installation of the new process changed B Mill from a liability to an asset, and its great profits built Washburn A and C, even rebuilding the former after the explosion of 1878. The success achieved by Washburn with spring wheat flour led others to try the same thing, and shortly markets became flooded with flour. As a result profits fell, thus began the hunt for means of cutting production and distributing costs.

A second factor was the exploitation of new markets and new forms of merchandising. In order to maintain the margin of profits, the foreign market was cultivated, and branch offices with salesmen established. The plan of eliminating the middleman cut out one step in the marketing of the product and created a desire for people to request

his trade marked flour. The development of direct shipment to foreign ports removed the New York exporter whose toll on flour and method of handling did little towards establishing a demand for American flour. Washburn, too had access to a cheap water power. The profits from the power went directly to him since he controlled the majority of stock. So important had become the flour industry that by 1876 the saw mills were driven from the city of Minneapolis.

The Minneapolis and St. Louis played a part in increasing the profits from flour. When railroads began to extract high rates the rail company sought to circumvent them by building to cheaper connecting roads. When the connecting roads fell into unfriendly hands, Washburn began a project to evade their grasp by proposing a direct line to eastern markets. He, also, seemed too anxious for profits. Striving to be the largest miller of wheat in the world he overbuilt, for by 1881 he had more space than could be utilized for ten years. His intention to build another mill on the platform in that year undoubtedly sprang from the production leadership taken by the construction of Pillsbury A, on the east side. He saw, during his life time, a complete milling revolution, and also an industry that was greatly over-expanding although he never fully realized the problems arising from over production.

## CHAPTER VII

## RAILROAD ENTERPRISES

From the time Minnesota became a territory, in 1848, until the latter part of the century several determining factors contributed to the continually increasing need and demand for an enlarged and more rapid means of transportation. The great handicaps of water transportation coupled with the inadequacy of poorly constructed highways brought the people of the territory to realization that only railroads would solve their problem. With a great influx of settlers, not only from the East but from Europe as well, agitation for railways became more widespread and more persistent. Parallel to the growth in population there was an increased production of wheat which accentuated the demand for railroads in the interior since local markets could not absorb all the surplus grain produced.<sup>1</sup> Wheat growers complained also of the high freight rates on imports which raised considerably the cost of the consumers' goods.<sup>2</sup>

Likewise industrial interests at the Falls of St. Anthony began to require better shipping facilities. Access by rail to Lake Superior ore, considered of excellent quality,

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<sup>1</sup> Grain increased from 7,515,906 bushels in 1860 to 76,003,139 in 1880. Mildred Hartsough, "Transportation as a factor in the Development of the Twin Cities," in Minnesota History, 7 (1926):218-232.

<sup>2</sup> "Report of the Committee on Agriculture and Manufactures," in Executive Documents of the State of Minnesota for the Year 1860 (St. Paul, 1861), 2.

would aid the Falls in becoming a manufacturing center and consequently hasten the development of factories constructed to furnish machinery for the expanding western population.<sup>3</sup> Lumber manufacturers soon discovered that the shipment of dressed lumber by water decreased the profit, thus higher prices for the dry product were sufficient to keep lumbermen interested in rails and to increase the investment in mills. Millers, also, became a potent factor in the development of railroads. With interests shifting from lumbering they began to develop rail systems which would bring wheat to them and carry the finished product to the outside.<sup>4</sup> It was not until the Civil War, however, that the demands of trade, transportation, and abundant surplus products, offered temptations to capitalists to undertake the construction of railroads.<sup>5</sup>

Rivalry in the growth of cities and sections frequently caused great outbreaks of rail expansion. The rapid growth of Chicago was an object of jealous concern by the cities of St. Paul and Minneapolis. The quarrel of the Northwest with the Lake Michigan city over unfair rate adjustments grew in great proportions until the Interstate Commerce Commission began to settle the question of rates. Until then rail construction and rail pools had destruction of rival cities as

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<sup>3</sup> Op. cit., 3-4; Lester B. Shippee, "The First Railroad Between the Mississippi and Lake Superior," in The Mississippi Valley Historical Review, 5 (1918-1919):121-142.

<sup>4</sup> Charles B. Kuhlmann, "The Influence of the Minneapolis Flour Mills Upon the Economic Development of Minnesota and the Northwest," in Minnesota History, 6 (1925):141-154.

<sup>5</sup> "Governor's Message," in Executive Documents of the State of Minnesota for the Year 1860 (St. Paul, 1861), 11.

forward points. But as the fight continued Chicago drew more and more from the Pacific Coast trade while Minneapolis and St. Paul had the new Dakota territory and parts of Canada for a hinterland.<sup>6</sup>

The territorial legislature began to fulfill desires of the citizens as early as 1852. It laid plans for a number of rails radiating from St. Paul to serve the entire territory. One of the first charters granted was that of the Lake Superior and Mississippi Railroad Company. Although a bill to incorporate the road was introduced by J.W. Selby on March 2, 1852, it was not until March 2, 1853 that a subsequent legislature passed a law which created the company<sup>7</sup> and authorized it to build the connecting link between the two waterways and later beyond to the South. The chief consideration impressed upon the people for the necessity of the link was the growth of the food and lumber markets on the peninsula, and the increased crops which demanded a release from the exorbitant freight charges to the populous East.<sup>8</sup> The territorial legislature granted another charter on March 2, 1853 to the Minnesota Western Railroad Company designed to extend westward out of the capital city. Out of this charter grew the Minneapolis and St. Louis, but not until certain provisions had been

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<sup>6</sup> Shippee, Mississippi and Lake Superior, 125; Hartsough, Transportation and the Twin Cities, 226-230; St. Paul Dispatch, May 8, 1862.

<sup>7</sup> James H. Baker, "History of Transportation in Minnesota," in Minnesota Historical Collections, 9:1-34 (St. Paul, 1901).

<sup>8</sup> Shippee, Mississippi and Lake Superior, 122.

changed. A third quarter was that of the Louisiana and Minnesota, granted March 5, 1853, designed to extend in a southerly direction. The legislature authorized and chartered no less than 27 companies between 1853 and 1857 but there was no life to any of them until March 3, 1857 when Congress granted lands to the territory for the purpose of constructing railroads. The territorial legislature accepted the grant, and on May 22, 1857 assigned the lands to the following companies: the Minnesota and Pacific which became the St. Paul and Pacific; the Transit Railroad; the Root River Valley and Southern Minnesota; and the Minneapolis and Cedar Valley or the St. Paul and Sioux City.<sup>9</sup>

Rails fared much better after statehood. Although the state constitution, adopted in October 1857, contained a clause forbidding the loan of state credit to any rail corporation, the legislature called for a referendum permitting such an action. In the following April, the people accepted the amendment by a substantial margin, and the legislature loaned the credit of the state to the amount of five million dollars with provision for the payment of interest and amortization by the several corporations. The contracted railroads were never completed, and in November, 1860 the amendment was

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<sup>9</sup> Baker, Transportation in Minnesota, 25; "Report of the Railroad Commissioner with the Reports of Railroad Corporations, for the Year Ending August 31, 1871," in Executive Documents of the State of Minnesota for the Year 1872 (2 vols., St. Paul, 1872-1873), 2:7. Hereafter the Commissioner's Reports will be shortened to R.R. Report, followed by the year, and the Minnesota Executive Documents to Minn. Ex. Doc. with the year, volume, and page number. When a new series of the documents are cited, the footnote will contain the number of volumes in the series, the date, and place of publication.

overwhelmingly repealed, making the state owner of the rights and franchises. <sup>10</sup> By the foreclosure of the trust deed, Minnesota became the owner of about two hundred and forty miles of graded road bed at the cost of something over two and a quarter millions of state money. <sup>11</sup> After the experience of 1857, and when the state came into possession of the defunct roads, the rights so accumulated were re-granted to a new set of companies in 1862. Out of the old Minnesota and Pacific came the St. Paul and Pacific which completed that portion of the track between St. Paul and St. Anthony by June 28, 1862. The St. Paul and Chicago, a related corporation, began construction upon a road from Winona to St. Peter in 1863 with the aid of a \$50,000 St. Paul bonus and a grant of swamp lands. Edmund Rice, president of both companies, obtained further capital in England. By 1872 the line reached La Crescent, and eastern trains began running to the Twin Cities via Winona in that year. After several consolidations the line became known as the Chicago, Milwaukee, and St. Paul. The Sioux City to St. Paul road, an outgrowth of the Root

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<sup>10</sup> Baker, op. cit., 8.

<sup>11</sup> "Governor's Message," in Executive Documents of Minnesota, 1860, 11. The payment of these railroad bonds, about two million dollars of which belonged to Selah Chamberlain of Cleveland, hung in the courts and successive legislatures of Minnesota until Pillsbury's last administration in 1881 when they were paid at a discount. The electorate refused on two occasions to pay the debt but the state Supreme Court opened the way for payment by the impairment of contract clause. Chamberlain, contractor for the Minnesota and Pacific Railroad of which Edmund Rice was president, took \$1,992,053.70 in cash for his bonds, and still remained a power in railroads of Minnesota. The Panic of 1857 caused the breach of contract. William W. Folwell, A History of Minnesota (4 vols., St. Paul, 1926), 3:418-441, Appendix 9.

River Balley, was completed in the same year, but not until it had undergone suspension and resuscitation.<sup>12</sup>

In 1870 the Lake Superior and Mississippi, whose corporate name in the charter of May 23, 1857 was the Nebraska and Lake Superior Railroad Company,<sup>13</sup> ran its first train over a route connecting Duluth and St. Paul, but only after Philadelphia capitalists had invested heavily.<sup>14</sup> The function of this road was to connect the lake with the river and thus it became a powerful factor in the regulation of rates. In 1871, the road leased the Minneapolis and Duluth, built by Minneapolis millers,<sup>15</sup> for a sizeable revenue and a long term. Six years later, because of competition offered by the Chicago roads and the lack of patronage by St. Paul and Minneapolis

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<sup>12</sup> Baker, Transportation in Minnesota, 26-27; The American Annual Cyclopedia and Register of Important Events of the Year 1865 (New York, 1866), 5:577-78.

<sup>13</sup> "Appendix to R. R. Report, August 31, 1873," in Minn.Ex. Doc., 1873 (2 vols., St. Paul, 1874), 2:301.

<sup>14</sup> Woodman to Washburn, July 21, 1868; Washburn to Woodman, August 11, 1869, Woodman Papers; Baker, Transportation in Minnesota, 28.

<sup>15</sup> "Appendix to R.R. Report, August 31, 1871," in Minn. Ex. Doc., 1872, 2:40; Baker, Transportation in Minnesota, 28; Shippee, Mississippi and Lake Superior, 129-130.

agencies, the company went into the hands of the receiver and evolved as the St. Paul and Duluth.<sup>16</sup>

The building of the line to Lake Superior was not heartily received by all the state. Residents of the southern portion, which included the bulk of the population outside of the Falls area, approved the road and voted with the dominant element of St. Paul. The southern counties saw a benefit in the road not from the connection of the river and the lake, but rather from the fact that the plan was linked with a scheme to extend the road from the capital to Sioux City, Iowa. Such would serve to form an outlet to the eastern markets by a northern route. Minneapolis and St. Anthony, now centers of flour and lumber, registered great opposition because the terminal point was at St. Paul and they were not all directly served by the road. Only the St. Paul and Pacific tracks ran to St. Anthony while Minneapolis was left to itself except for a spur from the Hastings and Dakota, a road which followed a direct line west from Mendota. Washburn, who had no great desire to see "cars back tail into Minneapolis" where the Minneapolis Mill Company held extensive water power rights, frowned upon such accommodations.<sup>17</sup> Being cut off from the main line necessitated extra freight or drayage

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<sup>16</sup> "R.R. Report, June 30, 1877," in Minn. Ex. Doc., 1877 (3 vols., Minneapolis, 1878), 2:402; John R. Carey, "History of Duluth, and St. Louis County, to the Year 1870," in Minnesota Historical Collections, 9:241-78 (St. Paul, 1901).

<sup>17</sup> W.D. Washburn to Washburn, May 30, 1869, Washburn Papers.

charges, and reduced Minneapolis to the position of a way<sup>18</sup> station which ill-suited the ambition of the infant city. The main purpose of the Lake Superior road was to force the trans-Wisconsin roads to reduce rates, and the position of Minneapolis did little to assure her that she could participate<sup>19</sup> in any direct benefits.

Despite the unpleasant relationship between the Twin Cities the completion of the road tremendously aided the area. It opened a new avenue to the Atlantic seaboard, and, since it formed an independent line, reduced the cost of transportation. In the first year of its existence about two million bushels of wheat were carried at a reduction of<sup>20</sup> five cents per bushel. The road cut heavily into the traffic of the Milwaukee and St. Paul, and in order to maintain supremacy the latter road so drastically reduced the wheat tariff that the new rate brought St. Paul within 156<sup>21</sup> miles of Chicago instead of 400 miles.

The Lake Superior road retaliated by hauling wheat free to Duluth, but such action was of short duration because of the closing of lake transportation. The road only influenced the rate of trans-Wisconsin rails during the water

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<sup>18</sup> Shippee, Mississippi and Lake Superior, 129.

<sup>19</sup> Ibid., 129; St. Paul Daily Express, April 27, 1864.

<sup>20</sup> "R.R. Report," in Minn.Ex.Doc., 1872, 2:31.

<sup>21</sup> Folwell, History of Minnesota, 3:48.

transportation season, and the Chicago lines rapidly boosted the freight tariffs when ice bound the lake port of Duluth. Wheat merchants rushed their products to that city for shipment in season, while others waited until winter and shipped by rail. However, the profits of the winter transaction were eaten up by the increased freight rates. In the fall of 1873 the Milwaukee road was powerful enough to raise and maintain<sup>22</sup> the wheat tariff in lake transportation season.

Meanwhile, to the great irritation of the wheat speculators and to the great detriment of the flour interests, General Manager Merrill, as early as 1869, stationed wheat buyers along the Milwaukee road to run up the price. By this maneuver he hoped to force the millers and the speculators to use the Milwaukee system as well as to stop the completion of the Lake Superior and Mississippi Road. Merrill's men sent wheat up ten cents above the Minneapolis purchasing price, and by carefully manipulating the freight rates Merrill made for himself a half million dollars in three years.<sup>23</sup> The milling interests, appraising the situation, seemed to relax their opposition to the railroad between St. Paul and Duluth, and construction was rushed to completion. However, the millers believed that if the dastardly work of Merrill continued their industry would be ruined before the Lake Superior road was completed. Certain milling interests believed the

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<sup>22</sup> Folwell, op. cit., 48-49.

<sup>23</sup> W.D. Washburn to Washburn, May 6, 1869; May 10, 1869, Washburn Papers.

Milwaukee needed more competition and encouraged the Northern Packet Line to move their boats from St. Paul to Minneapolis three times weekly. The millers promised a suitable cargo; but Merrill, upon learning of the intention of milling interests, visited Minneapolis and with promises and threats swung the shippers from river boats to rail cars. This action forced the flour manufacturers to recognize their dependence on the road. Such a recognition rendered the milling property held by the Washburn interests valueless. Agent W. D. Washburn regarded the water and property rights of the Minneapolis Mill Company worthless unless they broke the strangle hold of the "He-devil Merrill," and secured new rail connections. Washburn, still in the lower house of Congress, hastened to Milwaukee to confer with Mitchell and Merrill.<sup>24</sup>

The fear of bankruptcy and loss of revenue from his new B Mill caused Washburn to contemplate building northward to connect with the newly constructed Lake Superior and Mississippi road, completed in August, 1870. The meeting of the Milwaukee stockholders June 5, 1869, and the conference with Merrill had gained Washburn nothing but vague promises of cooperation. He thought of purchasing the Minnesota Valley charter by negotiating through Oakes Ames, T.A. Harrison, and H.G. Harrison, directors of the road. The Harrisons, heavy

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<sup>24</sup> W.D. Washburn to Washburn, May 6, 1869; May 10, 1869; May 30, 1869, Washburn Papers.

investors, were disgusted with the management and readily favored the Washburn plan. But the project loomed too large,<sup>25</sup> so Washburn turned to some other source.

It was not long, however, before another plan was well under way. A group of visionary millers and lumbermen, disappointed that the Lake Superior road avoided both Minneapolis and St. Anthony, and interested in breaking the rail control of the Merrill interests, joined hands with Washburn and revived the charter of the old Minnesota Western, granted in 1853 by the territorial legislature.

Washburn had earlier exhibited an interest in a road to the lake. Soon after his retirement from the army in May, 1865, he began to turn his attention to the possibility of building a railway from Hudson to Bayfield, Wisconsin, a distance of one hundred fifty miles, for which the government had already made a suitable land grant. Upon investigation, he found the land of poor quality, but that one fifth of it had good pine timber. In his estimation the worth of the road lay in the suitable connection between the lake and the St. Croix River. Over any road built between the points

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<sup>25</sup> W.D. Washburn to Washburn, June 2, 1869, Washburn Papers. From the letter, it appears that no animosity existed between Oakes Ames and C.C. Washburn over the introduction of a bill in Congress by the latter, on December 9, 1867, to regulate by law the rates on the Union Pacific. However, Washburn made no attempt to operate through Ames; rather the Minnesota Western charter was revived. For a short account of Oakes Ames, see Allan Nevins, "Oakes Ames," in Dictionary of American Biography 1: (New York, 1928-1937), 251-252..

designated in the grant, he believed the supplies for the Lake Superior population could best be facilitated, and all products of northern Wisconsin above the Chippewa as well as northern Minnesota could reach the East through this channel. He even believed a substantial tourist trade would result from the construction of such a road.<sup>26</sup> But with his interest at that time centered in his new Washburn B Mill, he abandoned the project without further consideration. However, he rented the B Mill, but the attempts of the Milwaukee road to squeeze the flour manufacturers augured badly for his enterprises. Minneapolis needed suitable and cheap transportation which it did not then possess. St. Anthony and Minneapolis, within two years after the war, produced daily approximately five thousand barrels of flour for export. Washburn estimated that freight receipts from flour alone would approximate twenty-five hundred dollars daily. He became uneasy over the slow progress of the Lake Superior and Mississippi road and complained of the lax administration.<sup>27</sup> But the profits of a road from the milling area, and the direct effects such a road would have upon his own real estate investment did not escape his attention. He talked it and wrote it, and

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<sup>26</sup> Washburn to Woodman, September 17, 1865, Woodman Papers.

<sup>27</sup> Washburn to Woodman, June 5, 1867, Woodman Papers.

thus became the motivating force in the restoration of the Minnesota Western charter.

The revival of the Minnesota Western charter<sup>28</sup> and the subsequent amendatory acts gave new holders the right to build from a point on the Lake Superior and Mississippi to Minneapolis and thence south to the Iowa State line. No grants of land accompanied the revived charter, and the legislature even regulated the chargeable tariff on any item by incorporating into the law that all rates should be fair and just.<sup>29</sup> The same legislature authorized Minneapolis,<sup>30</sup> vitally interested in the road, to issue bonds in aid of it; and the city corporation responded by granting the sum of<sup>31</sup> \$100,000 in bonds.

Washburn sent out an engineering party in August, 1869 before the charter rights were completed,<sup>32</sup> and subsequently made a bold purchase of a large piece of property for terminal facilities.<sup>33</sup> He obtained valuable track

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<sup>28</sup> The original, granted March 5, 1853, allowed the building of a road from the St. Croix Lake or St. Croix River to St. Paul and St. Anthony, thence to western boundary of the Territory with branches to Red and St. Louis rivers. On May 26, 1870 it became the Minneapolis and St. Louis. "R. R. Report," in Minn.Ex. Doc., 1872, 1:143-144.

<sup>29</sup> Journal of the Senate of the Twelfth Session of the Legislature of the State of Minnesota (St. Paul, 1870), 42.

<sup>30</sup> Ibid., 108.

<sup>31</sup> Isaac Atwater, ed., History of the City of Minneapolis, Minnesota (2 vols., New York, 1893), 1:330.

<sup>32</sup> W.D. Washburn to Washburn, August 21, 1869, Washburn Papers.

<sup>33</sup> Ibid., August 23, 1869.

privileges from Minneapolis which proved one of the wisest moves of his career. This gave the Minneapolis and St. Louis (the parent corporation) sole entrance into the milling district, which was a usable leverage for rate reduction on trans-Wisconsin lines.<sup>34</sup>

The company chose White Bear Lake, on the Lake Superior road, as a terminus. With all the preliminaries over, it began working on the fourteen miles of grading in April, 1871, and opened the road on August 15th.<sup>35</sup> The only construction trouble encountered was at the suspension bridge in front of which the Hennepin County commissioners refused to allow the road to be built.<sup>36</sup> The cost of the project was \$400,000. The Lake Superior Company leased the road on June 5, 1871 at a rental sufficiently large to pay the interest, sinking fund for the bonds, and all organization costs.<sup>37</sup> On May 1, 1872, the lease, together with the Lake Superior and Mississippi, was turned over to the Northern Pacific which operated the road until December 1873. The new road provided for the entrance of the Northern Pacific into Minneapolis, and proved a valuable means of transporting

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<sup>34</sup> Chicago Times, December 29, 1883.

<sup>35</sup> Railroad Gazette (New York), June 10, 1871.

<sup>36</sup> Railway Age (Chicago), July 22, 1871.

<sup>37</sup> "Appendix to R.R. Report, 1871," in Minn.Ex.Doc., 1871 (2 vols., St. Paul, 1872), 2:52-53. The Lake Superior and Mississippi leased the road for a term of 999 years at the annual cash rental of \$28,000, plus taxes, beginning September 1, 1871, and \$6,000 in cash, for 37 years, payable semi-annually from November 1, 1873, for a sinking fund. "R.R. Report," in Minn.Ex.Doc., 1872, 2:40.

Minneapolis products eastward.

Upon consummation of the White Bear gateway, the millers began direct shipments by the lake route. George H. Christian, who operated the Washburn Mills in 1872, stated that the milling interests on the west side shipped three fourths of their flour to the East over the short line and water route. The commissioner's report for 1872 showed that the road in the first year of its existence carried 33,016 bushels of wheat, 703,880,000 feet of lumber, and 39,162 barrels of flour to White Bear Lake.<sup>38</sup> Water rates were low and experts, a few years later, estimated that wheat would be carried from Duluth to eastern cities at less than six cents per bushel; flour at 25 cents per barrel and wheat and flour respectively to Liverpool, 18 cents per bushel, 90 cents per barrel.<sup>39</sup> The road thus served as a club over the Chicago lines to extort lower rates.<sup>40</sup>

But the shipments over the Minneapolis and Duluth only sharpened the opposition of the Chicago and Milwaukee lines, notably the Milwaukee and St. Paul, and wheat buyers, in increasing numbers, came to the fields to head off sale of wheat to millers. Only upon the condition that the flour be sent to eastern markets over the Chicago lines was wheat released. The inconvenience of catering to foreign lines

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38 "Appendix to R. R. Report," in Minn. Ex. Doc., 1872, 1:253.

39 "The Great Northern Water Way," in Report of Proceedings of the Lake Improvement Convention, Dec. 18 and 19, 1878 (St. Paul, 1879), 24.

40 Kuhlmann, The Minneapolis Flour Mills, 144.

increased the discontent. Wheat wars began; and as the milling capacity increased wheat had to be drawn from a wider range.

The promises of success for the Minneapolis and Duluth sufficiently satisfied Washburn to permit him to complete the road to a junction of the Hastings and Dakota near Carver. Such a line augured well, for he confidentially believed that the short road of twenty eight miles from Minneapolis to the junction would carry no less than five million feet of lumber and two hundred thousand bushels of wheat in the first year of its existence. In fact he had little doubt that the revenues from the wheat and lumber alone would pay the initial costs of construction leaving the carriage of flour as the profits of the line.<sup>41</sup> The east and west Hastings line and the northeast and southwest St. Paul and Sioux City railway, missing the mill area but tapping the new wheat fields, promised to make the new road and the completed counterpart a funnel for all the business of the flour city with that section of the state. Although the short line was of first consideration, Washburn anticipated an extension further southward to Albert Lea which the charter and amendatory acts of 1870 also covered. The complete construction promised to further enhance the importance of the Minneapolis to Carver division as well as the city of Minneapolis.

Southern Minnesota offered, in addition to wheat and

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<sup>41</sup> Washburn to Woodman, September 19, 1870; November 30, 1870, Woodman Papers.

lumber traffic, opportunities for rail connection with Chicago and St. Louis which might break the dependence of Minneapolis flour and wheat shippers upon certain unfriendly trans-Wisconsin lines. And, because Washburn surveyed southward, the road became known as the Minneapolis and St. Louis.<sup>42</sup> But if Washburn did not immediately demand the completion of the road to meet the Iowa Central and form a St. Louis connection, it was because other rails filled the need. The Central Railroad of Minnesota, formerly the Minnesota and Northwestern, had undertaken the construction of a line from Mankato to Wells; also, the Fort Dodge to Wells railway was so near completion that hopes for reaching St. Louis were promised in 1871.<sup>43</sup>

The Minneapolis and St. Louis would also provide a northern outlet to Chicago and the East. Already the Minneapolis and Duluth provided the eastern channel for Minneapolis by connecting with the Lake Superior and Mississippi at White Bear Lake. Flour and local wheat found export service by the Duluth port, and the manufacturers and wheat shippers profited handsomely from the difference in water and rail rates. The only drawback to such a service was the closing of the port in the winter weather. That necessitated huge shipments of produce and flour at a time when prices were lowest. However, the Minneapolis and St. Louis, once constructed, could

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<sup>42</sup> Washburn to Woodman, November 30, 1872, Woodman Papers.

<sup>43</sup> Ibid., March 24, 1871; "R.R. Report," in Minn. Ex.Doc., 1872, 1:148, 307.

pass on to the southern sections an additional opportunity for savings. The St. Paul and Sioux City, running southwestwardly, already had the chance to ship via the lake; but Washburn's dream was to intercept that wheat traffic, as well as Merrill's Hastings and Dakota line if Merrill and Mitchell could be appeased, at Carver and ship it over the proposed Minneapolis and St. Louis road. He reasoned that the grade out of St. Paul northward added some fifteen miles to the haul, and a level road out through Minneapolis and White Bear Lake therefore constituted a direct savings.<sup>44</sup> It was the case of the hypotenuse of a triangle. Incidentally, the new road would also serve to supply the mills with more wheat which the increased number of stones and the newer processes of manufacturing demanded. And a dependable supply of wheat would mean an increased sale of mill sites and water power as well as constant rental of the Washburn B mill. But Washburn's plan did not stop with the Duluth outlet. The West Wisconsin completed a road from Tomah, Wisconsin to Stillwater. Stillwater was reached by the Minneapolis and Duluth and the St. Paul and Stillwater both under lease to the Lake Superior road. Minneapolis thus would have another Chicago outlet, and the construction of the Minneapolis and St. Louis to Carver, and subsequently farther south, similarly would give the whole tributary lines the same advantage.<sup>45</sup>

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<sup>44</sup> Washburn to Woodman, March 20, 1870, Woodman Papers; Atwater, History of Minneapolis, 1:335.

<sup>45</sup> Washburn to Woodman, March 21, 1871, Woodman Papers; "R.R. Report," in Minn.Ex.Doc., 1872, 1:142-4, 148.

Not all rail builders shared the same views with Washburn. President J. W. Brooks, of the Burlington and Missouri River Railroad in Nebraska, held the fulfillment of Washburn's dream highly visionary. That the Minneapolis and St. Louis would act as a funnel through which might flow a large portion of the southern and western Minnesota traffic was to him fictional. Using the set of figures and the rough map that Washburn prepared for Woodman, Brooks saw little reason for the St. Paul and Sioux City, which owned a line directly into St. Paul, to divert its traffic over the proposed Minneapolis and St. Louis. In his estimation, he wrote Woodman, there was nothing to be gained by it. The fact that the goods northward out of St. Paul might be estimated to add fifteen miles to the Lake Superior line was of little concern to the St. Paul and Sioux City. Wheat hauled to the capital of Minnesota could demand low rates to the Duluth port or else choose an alternative rail line to the East. St. Paul, and not Minneapolis, exhibited the stronger position of the two cities. The former had greater possibilities of becoming a large center of industry while the attractions of Minneapolis were only of local importance. The rail lines centered at St. Paul, and no southern route from Minneapolis of any length could hope to swing traffic from its natural course. Although Brooks admitted he was unacquainted with the situation at Minneapolis, he could not understand why a railroad southward to the Iowa line was so important since two

lines already tapped that region. He confidentially believed that St. Paul, and for the same reason Minneapolis, would have a closer connection to Chicago by a trans-Wisconsin route than any channel southern Minnesota could offer. To him the entire project from Minneapolis to Carver and to the Iowa line, where the St. Louis and Chicago connections were to be made, augured badly for anyone who invested in the scheme.<sup>46</sup>

Brooks carefully avoided two points which Washburn incorporated in his prospectus to Woodman: the traffic from the coal regions of Iowa which the proposed Minneapolis and St. Louis ultimately hoped to reach, and the growth of the flouring mills at the Falls. Too many men held the future of Minneapolis in low esteem. The increase in the number and output of the mills appeared as a mushroom growth to eastern speculators despite the ever enlarging wheat acreage. Minneapolis capital then assumed a large place, and Washburn borrowed heavily to develop the water power facilities and the Washburn mills at the Falls. That Minneapolis would grow was no vision to him.<sup>47</sup> He had long envisaged a city which would one day be the metropolis of the northwest. But it needed rail connections, and the Washburn investments stood well to face bankruptcy without them.<sup>48</sup> Safeguarding the Washburn

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<sup>46</sup> J.W. Brooks to Woodman, March 31, 1871, Woodman Papers.

<sup>47</sup> Washburn to Woodman, April 9, 1871, Woodman Papers.

<sup>48</sup> W.D. Washburn to Washburn, May 6, 1869; May 10, 1869; May 30, 1869, Washburn Papers.

enterprises became his operating motive. Without much local fanfare or with the feeling that he was doing Minneapolis a civic service, Washburn launched the Minneapolis to Carver division of the Minneapolis and St. Louis road, and took ten thousand dollars in stock and fifty thousand in bonds. Because of widespread stock sales, the sum of fifty thousand dollars in capital stock was sufficient to control the corporation, and this lay in the hands of five people, two of whom were the Washburns.<sup>49</sup>

To facilitate the construction of the Minneapolis and St. Louis, Washburn, following the plan set by earlier and larger builders, incorporated the Northwestern Construction Company, capitalized at \$120,000. The charter, granted on June 24, 1870 for a period of ten years, listed not Washburn's name for Dorilious Morrison, W. W. Eastman, and W.D.Washburn, associates or relatives.<sup>50</sup> Washburn, seeking the governorship of Wisconsin, was shrewd enough to see that such acts could not possibly gain him political support; consequently he satisfied himself by acting through others. Minneapolis had freely granted credit for the proposed construction, a system which Washburn, as governor, deprecated and thought

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<sup>49</sup> Washburn to Woodman, November 30, 1870, Woodman Papers.

<sup>50</sup> "Appendix to R.R. Report, 1871," in Minn.Ex.Doc., 1871, 2:101.

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 necessary to curb. He therefore showed financial acumen by remaining silent in a corporation which was largely of his own invention. For Minneapolis desired a road controlled by local men, and a political figure of the State of Wisconsin could scarcely be considered local. The extensive trackage privileges given by the city made the infant road possessor of the only rail in the milling area.<sup>52</sup> The construction costs for the twenty-eight miles of road to Carver amounted to \$559,000 of which grading costs were \$168,000, at the rate of \$6,000 per mile, and considerably below the estimates of eastern capitalists and builders.<sup>53</sup>

The company, in November, 1871, turned over to the Minneapolis and St. Louis property worth \$770,000 according to the estimate of the incorporators.<sup>54</sup> But the rapidity of construction came to the attention of the commissioner. On his annual tour he reported that trains used the road, but it badly needed ballasting and, in many places, grading.<sup>55</sup>

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51 "The practice of giving bonuses in aid of the construction of railways is not to be condemned. . . . I recommend the passing of a law prohibiting any town, county or city from creating any debt in aid of any rialroads or public improvement in excess of five percent of the assessed value of property of such town, city or county. . . ." "Annual Message of Cadwallader C. Washburn, governor of the State of Wisconsin and Accompanying Documents Delivered to the Legislature in Joint Convention, Thursday, January 11, 1872," in Governor's Message and Accompanying Documents (2 vols., Madison, 1872), 1:23-24.

52 Atwater, History of Minneapolis, 1:335.

53 Woodman to Washburn, March 30, 1871, Woodman Papers.

54 "Appendix to R.R. Report, 1871," in Minn.Ex.Doc., 1871, 2:62.

55 "R.R. Report," in Minn.Ex.Doc., 1872, 1:151; "R.R. Report," in Minn.Ex.Doc., 1873, 2:136.

Although the Carver division was in operation, the Northwestern Construction Company continued to act as a dummy corporation until the completion of the road to Fort Dodge.

Scarcely had the last spike been driven and the engines run over the completed twenty-eight miles of road than Washburn began laying plans for the completion to the Iowa state line as contained in the charter rights. The Minneapolis and Duluth and the newly completed Minneapolis and St. Louis were suitable indicators that his judgment was sound. The St. Paul and Sioux City, by the spring of 1870, had already better than a hundred miles in operation. The trade over the Carver cut-off was of sufficient volume for the Lake Superior and Mississippi to grant a drawback of twenty percent which the Washburn roads used as an inducement to increase the traffic over the short line.<sup>56</sup> This served to draw some traffic from the St. Paul and Sioux City line.

The war between the Chicago line wheat buyers and the millers through their organization now reached such a proportion that new sources were needed. The association generally conceded that the territory covered by all lines contributory to Minneapolis was officially their domain, and if millers backed a rail project southwards it naturally augmented the Minneapolis wheat belt. Washburn reasoned that if the wheat unpurchased by the association flowed toward Minneapolis from a southern direction, it could easily pass on

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<sup>56</sup> Washburn to Woodman, March 20, 1870, Woodman Papers.

northward over the lake route if unwanted by local mills. The population of the counties of the projected Albert Lea division required lumber from some source, and Washburn readily interested those manufacturers. Now that coal mines of Iowa were opened for exploitation, he felt the need to extend southward to enjoy that type of traffic. And with the wheat war came the lack of adequate outlets for flour. The Lake Superior route was closed part of the year and the trans-Wisconsin roads, hostile to millers who purchased on non-Chicago roads, did all in their power to operate against them. The Albert Lea division opened possibilities for new channels. With continued enthusiasm, Washburn valued his judgment high enough to invest \$50,000 in a road which would "carry as soon as completed fifty million feet of lumber annually, and five million bushels of wheat and untold cars of coal. . ."<sup>57</sup>

The rail outlets southward soon attracted Washburn's attention. There were no small number of Chicago and eastern outlets or of friendly roads. The Iowa Central made suitable connections to St. Louis, and that city had pool relations with Chicago.<sup>58</sup> The Missouri city manufactured and shipped more flour than Minneapolis, and could therefore command a better transport price. For St. Louis had the alternatives of a river route open twelve months of the year which offered no small leverage in making rates. There was the Burlington,

<sup>57</sup> Washburn to Woodman, March 21, 1873, Woodman Papers.  
<sup>58</sup> R.E. Riegel, "The Southwestern Pool," in The Missouri Historical Review, 19 (1925): 12-24.

Cedar Rapids and Northern which made a strong bid for a Minneapolis outlet. This road, working northward from Plymouth, Iowa, came within twelve miles of the proposed terminal point of the Minneapolis and St. Louis at Albert Lea. For further connections eastward, it relied on both the Northwestern and Rock Island. The Chicago, Dubuque and Minnesota, operating between Dubuque and La Crescent, Minnesota, connected the Southern Minnesota east and west line, at the latter place. The Southern Minnesota crossed the proposed Washburn road at Waseca. Washburn appeared perplexed; and then boldly announced his intention to build to the Iowa Central.<sup>59</sup>

The purpose of Washburn's announcement was to avoid complicating circumstances. Woodman had earlier desired the company to connect with the Chicago, Dubuque and Minnesota railway and stop all construction south of the Southern Minnesota's crossing of the proposed Albert Lea division. Woodman had acted in the capacity of a liaison agent for J.W. Brooks and Nathaniel Thayer, of the Dubuque road, who were greatly interested in tapping the Minneapolis field.<sup>60</sup> Washburn carefully explained that the Southern Minnesota was in bad financial standing and he was afraid the infirm road might soon fall into unfriendly hands.<sup>61</sup> He continued to

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<sup>59</sup> Washburn to Woodman, February 5, 1874, Woodman Papers.

<sup>60</sup> Woodman to Washburn, March 31, 1873, Woodman Papers.

<sup>61</sup> Ibid., April 19, 1874.

point out to Woodman, however, the number of opportunities to connect with various roads but remained firm in his intention to build to the Iowa Central.<sup>62</sup> As few of the Minneapolis and St. Louis bonds were marketed in Boston, a firm decision against Boston capitalists met with little disfavor. However, all offers by roads could not be treated with such lack of concern. Since Washburn focused his attention on the outlet via St. Louis and expressed little interest in any other propositions. With this in view, and while the Burlington, Cedar Rapids and Northern was making offers to him, Washburn took a combined vacation and business trip abroad.<sup>63</sup>

The Burlington was not at all pleased by the indifference of Washburn. In 1874 the road offered to guarantee the bonds of the Minneapolis and St. Louis from Carver to Albert Lea in return for the privilege of running into Minneapolis. The directors of the Minneapolis and St. Louis refused the offer on the grounds that the Burlington, Cedar Rapids and Northern was without proper credit facilities. They were afraid that if that company defaulted on the bonds the whole credit structure of the Minneapolis and St. Louis road would suffer. However, in the fall of 1874, the Burlington, Cedar Rapids and Northern fell into the hands of New York capitalists headed by James I. Blair and W.E. Dodge.

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<sup>62</sup> Washburn to Woodman, February 5, 1874; April 24, 1874; April 28, 1874, Woodman Papers.

<sup>63</sup> Ibid., July 19, 1874.

The road renewed the offer, and again it was refused. This time the Blair interests decided to secure a Minnesota charter and come directly into Minneapolis in competition with the Minneapolis and St. Louis.<sup>64</sup>

Washburn was now confronted with the alternatives of seeing a financially strong line built in direct competition to his proposed Iowa line extension, or making some sort of an agreement with the Burlington road. A strong competitive road might serve to ruin the supremacy which the Minneapolis and St. Louis and the Minneapolis and Duluth, with the lake connection, held in Minneapolis. It certainly would kill any expansion to the Iowa line. The Iowa division was vital to Washburn because of the possibilities of a Chicago connection which the road offered, and which he demanded. He had discarded other Chicago connections when he cast aside the Woodman proposal of the Southern Minnesota and Dubuque road.<sup>65</sup> Other railways had suitable tracks, or contracts with other roads, to get into the St. Paul-Minneapolis area. The connection to the East was the one thing that Washburn wanted most. His flour shipments in 1872 had reached 80,000 barrels, with prospects in 1873 of reaching 100,000. Minneapolis now became known as the flour city since export barrels<sup>66</sup> ran to about a half a million. He feared the loss of the advantage he then held among the millers by encouraging the

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<sup>64</sup> St. Paul Weekly Press, April 1, 1875.

<sup>65</sup> Woodman to Washburn, April 28, 1874; Washburn to Woodman, April 12, 1873, Woodman Papers.

<sup>66</sup> Washburn to Woodman, April 12, 1873, Woodman Papers.

building of a road in refusing to deal with them. Upon his return from Europe, he opened negotiations.

Washburn's main concern was to retain all advantages that he held. Any proposition which would allow the control of his own road to remain in his own hands became the basis of all conversations with the Burlington interests. He felt that guaranty of the whole division's bonds was a perfect indication that Washburn and the Washburn road were on the verge of bankruptcy, and he could not tolerate any such belief. He finally jockeyed the Blair-Dodge interests into the position of guaranteeing and paying the principal and interest on the bonds for the twelve miles extension from Albert Lea to the Iowa state line, to which the Minneapolis and St. Louis was authorized to build. At the state line, the Burlington could connect and run its trains over the entire Minneapolis road into the flour city at the lowest possible freight rates.<sup>67</sup> Both parties were now satisfied. Each had gained an objective. Since Washburn's major concern was a swift transportation to the eastern markets he received definite connections with Chicago, in a long term lease,<sup>68</sup> which brought the lake city within 460 miles.

Meanwhile, Washburn had already stopped other competitive schemes. On September 2, 1872 several southern Minnesota capitalists organized the Albert Lea and State Line Railroad to extend both southeast and northwest out of

<sup>67</sup> St. Paul Weekly Pioneer, January 1, 1875.

<sup>68</sup> Pioneer Press (Minneapolis and St. Paul), November 13, 1877.

69 that city. If such a road were built almost all attempts to secure what Washburn termed suitable connections would cease. If the road were never constructed it would remain a possible threat to the best interests of the Minneapolis and St. Louis, forming a whip over the Washburn road should any foreign road, anti-Washburn, capture it. To head off any attempt of an outside concern purchasing it, Washburn negotiated with the owners. By the fall of 1873, less than a year after the completion of the Minneapolis to Carver

70 division, the Minneapolis and St. Louis had absorbed the charter rights of the State Line company and agreed to build the road southeastwardly to make connections for Albert Lea. Competitive obstacles were now cleared away, and the purchase of this road as well as the contract with Blair's Burlington road gave Washburn virtual command of Southern Minnesota Competition to the Minneapolis and St. Louis. To better secure his own interests, he had W. D. Washburn elected to the presidency of the road. 71

Although Washburn's first concern in expanding southward was to reach suitable eastern connections, he had very early expressed a desire to reach the newly exploited Iowa coal fields. 72 The demand for coal in Minneapolis and on

69 "Appendix to R. R. Report, August 31, 1872," in Minn.Ex. Doc., 1872, 1:314.

70 Washburn to Woodman, January 5, 1874, Woodman Papers.

71 Woodman to W.D.Holbrook, February 2, 1874, Woodman Papers.

72 Washburn to Woodman, November 30, 1870, Woodman Papers.

the Great Lakes increased rapidly, and Washburn hoped to profit from the traffic in it. The railroad now needed coal for its engines. Steam power was thought of as a suitable supplement for the water of the Falls of St. Anthony especially in winter or at low stages of the river. He saw, too, on the line of possible southwest development, as well as on the Albert Lea division, increased population and wheat production, and realized the tremendous advantage Minneapolis would have in the wholesale trade if the wheat went north. Both would bring revenues to the road. But the route from Albert Lea to the mines lay in the direction of Fort Dodge, and two companies already held valuable franchises in that direction. Once more it became imperative for Washburn to either purchase or lease these two companies, or see his dream shattered and his advantages lost. He openly sought control of both the Minnesota and Iowa Southern and the Fort Dodge and Fort Ridgley roads.

The Minnesota and Iowa Southern was incorporated May 6, 1878 for the purpose of building and maintaining a railroad from "some point on the Minnesota State line" to an intersection with the Fort Dodge and Fort Ridgley railroad. The incorporators, all Iowa people, had connection with Albert Lea in mind, and were willing to surrender their interests to any company which could give them the best proposition. In 1879, the Minneapolis and St. Louis entered into an agreement to build the road in return for a permanent

lease. By November, the Minneapolis road constructed and opened for traffic that portion of the line to Forrest City, taking over the local aid as a principal source of building revenue. By the last of June in the following year the road operated into Livermore, Iowa.

The capital of the road, authorized by the original charter, was \$3,000,000 but only \$10,000 was issued. The number of stockholders was nine, and only three of them, David Secor, Jasper Thompson, and Stanley D. Woodworth, were Iowa residents and enough to satisfy the Iowa railroad law. The Iowa stockholders held but \$300 of the stock while the other six investors were associates of the Minneapolis and St. Louis. Washburn's name appeared only on the list of directors, although he principally controlled the company. The road's former president, David Secor, held the position of vice-president.

The enterprising group of people who incorporated the Fort Dodge and Fort Ridgley Railroad Company also ran into

<sup>73</sup> Pioneer Press, July 30, 1878; May 1, 1879; May 29, 1879; Railway Age, August 26, 1880; "Third Annual Report of the Board of Railroad Commissioners, for the Year Ending June 30, 1880," in Iowa Documents, 1882 (Des Moines, 1882), 245, 477-485.

<sup>74</sup> Pioneer Press, June 28, 1880.

<sup>75</sup> The law required the secretary, treasurer, or assistant secretary and general superintendent to live in Iowa, and the general office to be in the state. "Chapter 159, Acts of the Ninth General Assembly, approved April 8, 1862," in First Annual Report of the Board of Railroad Commissioners for the Year Ending June 30, 1878 (Des Moines, 1878), Appendix XIX, XX.

<sup>76</sup> "Third Annual Report of Board of R.R. Commissioners," in Iowa Documents, 493.

serious difficulties. Beginning construction on a line to connect with Des Moines in 1877, the road received, in addition to local assistance in the form of bonds, county swamp lands for aid. A wet spring in 1878 greatly deterred the grading, and the dark future faced by the road made the assessment on the capital stock of the company impossible to collect. The discouragement of the stockholders made purchase by the Minneapolis and St. Louis easy, and in 1879 the Fort Dodge and Fort Ridgley sold all rights and equipment to the Washburn road for \$32,500.<sup>77</sup> The original investors, however, were obligated to complete the grading of the road to Livermore where it made connection with the Minnesota and Iowa Southern.<sup>78</sup>

In a reorganization of the financial structure of the road Washburn left fourteen Iowa stockholders, who held but \$2,400 of the \$119,200 voted capital stock, which the charter originally announced at \$2,000,000. Nine other stockholders, bringing the total to twenty-three, lived outside the state. These were associates of Washburn in the Minneapolis and St. Louis. Washburn's name appeared on the board of directors.<sup>79</sup> This reorganization cleared the last obstacles and allowed Washburn to begin the construction of the coal line.

By the spring of 1877, Washburn had cleared away all minor details and had made all the necessary arrangements

<sup>77</sup> "Third Annual Report of Board of R.R. Commissioners," in Iowa Documents, 479.

<sup>78</sup> H.M. Pratt, History of Fort Dodge and Webster County (2 vols., Chicago, 1913), 1:221-224.

<sup>79</sup> "Third Annual Report of Board of R.R. Commissioners," in Iowa Documents, 490.

by the purchase of right of ways and roads to build to the state line.<sup>80</sup> The Minneapolis and St. Louis advertised the grading contracts April 5, 1877,<sup>81</sup> which Linton and Huy, of Minneapolis accepted. No figure was disclosed, but the partners agreed to finish the work by September 1, 1877.<sup>82</sup> The construction gave work to a thousand laborers. Washburn hoped to complete the entire division by October, and invited his friend, Woodman, to a "free ride" at that time.<sup>83</sup> To keep in close touch with the construction gangs, Washburn made frequent inspection tours, the first of which was on August 30, 1877 when the road was near Waseca.<sup>84</sup> No major difficulties were encountered, and by November 3, 1877 the complete road was in operation. A group of prominent Minneapolis citizens boarded a train, pulled by the locomotive "C.C. Washburn," for a tour of inspection November 13, 1877.<sup>85</sup>

The Pioneer Press (pro-Washburn) hailed the completion of the road as one of the greatest aids for the growth of Minneapolis in years.<sup>86</sup> Smaller cities to the south showed

<sup>80</sup> Woodman to C.L. Stephenson, March 10, 1877; Woodman to Washburn, April 26, 1877, Woodman Papers.

<sup>81</sup> Pioneer Press, April 5, 1877.

<sup>82</sup> Ibid., April 25, 1877.

<sup>83</sup> Washburn to Woodman, April 25, 1877, Woodman Papers.

<sup>84</sup> Pioneer Press, August 31, 1877.

<sup>85</sup> Ibid., November 13, 1877.

<sup>86</sup> Ibid.

equal enthusiasm, and local units of government gratefully demonstrated appreciation by voting financial aid. During the period of construction, contractors, and many times laborers, were feted from town to town. Track laying contests, not heretofore unknown, increased the rapidity of construction but decreased the smoothness of the road.<sup>87</sup>

Albert Lea held a celebration in honor of the "last spike", but the builders pushed on rapidly to the state line and made connections with Burlington. That was of more vital importance to the flour interests than local traffic. The Burlington, Cedar Rapids and Northern made connections with Chicago by the Northwestern line, and flour soon went from Minneapolis to Chicago without transfer. The Minneapolis and St. Louis became a highly competitive line, and interests, contrary to the individualism the incorporators showed, began to scheme to control it. Washburn's fight was now that of remaining independent.<sup>88</sup>

The road was extended from Albert Lea in the direction of Des Moines in the fall of 1878,<sup>89</sup> but it was not until August 1880 that the gap between Albert Lea and Fort Dodge was closed and a permanent connection established with the Illinois Central and the cities of Fort Dodge and Des Moines. The Illinois Central route offered an alternative Chicago connection, although of

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<sup>87</sup> Northwestern Miller (La Crosse. After 1879, published at Minneapolis), October 19, 1877; January 11, 1878.

<sup>88</sup> Ibid., November 9, 1877.

<sup>89</sup> Pioneer Press, July 30, 1878.

much greater distance, should the Burlington and the Northwestern prove less valuable.

The milling press greeted the completion of the Minneapolis and St. Louis with a mixture of joy and alarm. The Northwestern Miller, published in La Crosse in 1877, complained that La Crosse merchants were too indifferent to the astonishing growth of Minneapolis and its relationship to St. Louis. The completion of the road robbed La Crosse of a hinterland which she normally considered her own, and substituted St. Louis for La Crosse as a feeder for southern Minnesota.<sup>90</sup> By the time Washburn completed the Minneapolis and St. Louis and trains with flour moved swiftly towards the Burlington and to St. Louis, the infirm Southern Minnesota, built substantially of La Crosse capital, went into bankruptcy as Washburn had earlier predicted.<sup>91</sup> This cost La Crosse any advantage she had in southern Minnesota, and from that year the decline in the importance of La Crosse as a flour center began. Flour production decreased. The Northwestern Miller began to laud Minneapolis then as the chief flouring center and subsequently moved its editorial rooms there.

But the same press recognized the advantage of the road to Minneapolis, and St. Louis. Minnesota wheat exports, estimated at twenty-five million bushels, could now pass over

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<sup>90</sup> Northwestern Miller, November 2, 1877.

<sup>91</sup> "R.R. Report, June 30, 1879," in Minn. Ex. Doc., 1879 (St. Paul, 1880), 76.

the railway to St. Louis for river export. Flour, likewise, could be transported cheaper to the East by water from St. Louis than by the fifteen hundred miles of railway to New York. Minneapolis stood ready to become the great market center of the West, and even "Missouri cotton would be more cheaply and satisfactorily manufactured by the Falls water power than by New England mills."<sup>92</sup> By the middle of November, the Minneapolis and St. Louis put on its first through train to St. Louis;<sup>93</sup> and by the first of the year, the Burlington, Cedar Rapids and Northern, in competition with the trans-Wisconsin lines, ran a daily flour express with 2,500 barrels aboard direct to Chicago.<sup>94</sup> Although parallel roads barely<sup>95</sup> made expenses, Washburn sincerely believed this one would. The well settled country in southern Minnesota and the flour sales of Minneapolis were conclusive proofs to him.

The completion of the road served to insure the supply of wheat to the milling area. In 1878, after the mill explosion of May 2, 1878 and the fire of November 1, 1878 which reduced the milling capacity by one-half, there still remained nineteen mills with a run of 220 stones of which Washburn B with 41 stones was the largest. The receipts of wheat for Minneapolis for the year 1878 were 5,023,880 bushels which was almost exclusively manufactured into flour within the

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<sup>92</sup> Northwestern Miller, November 2, 1877.

<sup>93</sup> Ibid., November 16, 1877.

<sup>94</sup> Ibid., February 1, 1878.

<sup>95</sup> Railway Age, December 8, 1876.

city. <sup>96</sup> Daily the newly completed Minneapolis and St. Louis carried thousands of bushels into the city. In the first three days of 1878, the road brought thirty five thousand bushels from southern Minnesota. <sup>97</sup> During one day in April some eighteen thousand bushels were received; and the receipts over the first six days of April 1878 amounted to ninety thousand bushels. <sup>98</sup> As the year progressed, new towns, built with lumber supplied by Minneapolis, sent an increasing amount to the mills at the Falls. <sup>99</sup> Extra trains were needed to carry it. Northern Iowa sheat, diverted from Chicago by the construction of the road, arrived at Minneapolis, and M.P. Hayes, of Minneapolis, by consequence, secured the right to erect elevators all along the Albert Lea-Fort Dodge extension with the understanding that the <sup>100</sup> wheat purchased would be sent northward for manufacture. The Minneapolis Millers' Association, considering all Minnesota as tributary to the Minneapolis Mills, bought wheat as far south as Albert Lea. <sup>101</sup> The whole program was a part of Washburn's plan to supply the mills at the Falls with the <sup>102</sup> raw material needed for manufacture. The result was the

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- <sup>96</sup> "Report of Minneapolis Board of Trade," in Minn.Ex.Doc., 1878 (3 vols., Minneapolis, 1879), 3:223.
- <sup>97</sup> Northwestern Miller, January 11, 1878.
- <sup>98</sup> Ibid., April 12, 1878.
- <sup>99</sup> Ibid., January 11, 1878.
- <sup>100</sup> Ibid., March 26, 1880.
- <sup>101</sup> Ibid., March 21, 1879.
- <sup>102</sup> Ibid., January 1, 1878.

enlargement of the milling plants which in turn required more units of water to turn the newer and larger wheels. If from no other source, Washburn at least realized on the sale of the additional power.

The connections to the south furnished Washburn and the milling interests at the Falls with an outlet to Chicago in competition with the trans-Wisconsin lines. The southern division crossed the Southern Minnesota at Albert Lea, the Winona and St. Peter at Waseca, and the Hastings and Dakota at Carver.<sup>103</sup> The best outlet, and the one most friendly to the new road, was the Burlington which ran flour trains daily from the city. The connection at the Iowa state line gave a suitable connection via the Iowa Central while the Fort Dodge division, opened June 1880, allowed for a Chicago extension via the Des Moines and Fort Dodge and the Illinois Central.<sup>104</sup> Every night a flour train of twenty cars or more of the "renowned Minneapolis brands" traveled south over the road,<sup>105</sup> and it soon became a favorite one for the shippers. John Crosby, of the Washburn A mill, claimed the bulk of the flour was sent over the Minneapolis and St. Louis, and that Washburn alone shipped better than three hundred thousand barrels.<sup>106</sup> The Pioneer Press joyously recited that the

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<sup>103</sup> Northwestern Miller, January 11, 1878.

<sup>104</sup> Ibid., January 11, 1878; May 30, 1879; July 16, 1880; Railway Age, August 26, 1880.

<sup>105</sup> Northwestern Miller, January 11, 1878.

<sup>106</sup> Washburn to Woodman, April 12, 1873, Woodman Papers.

the importance of the road could be ascertained by the 9,100<sup>107</sup> pieces of baggage handled in the first nine months of operation, and by the size of the trains.<sup>108</sup> The completion of the route to Fort Dodge brought the coal mines within 250 miles of Minneapolis,<sup>109</sup> and in 1881 the company leased mines from which<sup>110</sup> they furnished the Minneapolis market and their daily wants. The coal traffic jumped from 13,902 tons in 1879 to 34,189 in 1880,<sup>111</sup> and to 51,946 in 1881.

The competitive rail lines did not greet the expansion of the Minneapolis and St. Louis with such approbation as did the milling interests and the milling press. Before the completion of the Albert Lea division the Minneapolis road had made suitable running agreements with roads at Carver and White Bear Lake. When the road to the state line was fully constructed, the Minneapolis road management enlarged the group<sup>112</sup> of contracts to cover all worth while connections. One of the first roads to disapprove the expansion was Merrill's Milwaukee and St. Paul already considerably damaged by the extensive trackage privileges held in the milling area by the Washburn road. The war between the two roads thus greatly<sup>113</sup> inconvenienced the milling interests. The Minneapolis and

<sup>107</sup> Pioneer Press, January 12, 1879.

<sup>108</sup> Ibid., June 22, 1877.

<sup>109</sup> Ibid., May 29, 1879.

<sup>110</sup> Ibid., January 7, 1881.

<sup>111</sup> "R.R. Report, June 30, 1879," in Minn. Ex. Doc., 1879, 76; "R.R. Report, June 30, 1880," in Minn. Ex. Doc., 1881 (3 vols., St. Peter, 1881), 2:843; "R.R. Report, June 30, 1881," in Minn. Ex. Doc., 1882 (St. Paul, 1882), 62.

<sup>112</sup> "R.R. Report, June 30, 1878," in Minn. Ex. Doc., 1878, 2:579. The railroad listed the following agreements: temporary, St. Paul and Sioux City; St. Paul and Pacific; Chicago, Minneapolis and St. Paul; Central of Iowa; permanent, Burlington, Cedar Rapids and Northern. "R.R. Report, June 30, 1878," in Minn. Ex. Doc., 1878, 2:579.

<sup>113</sup> Farm and Factory (La Crosse), May 4, 1877.

St. Louis had the only track at the doors of the larger mills and at the chutes of the Minneapolis Mill Company's grain elevator which was owned by a number of millers who at one time feared strangulation by foreign roads. When the Minneapolis and St. Louis announced its southern building program, the Milwaukee and St. Paul, owners of the Hastings and Dakota with which the Minneapolis road had a running agreement, cancelled a portion of the contract in an effort to get better service in the milling district. The Washburn road retaliated by refusing the Merrill road use of the Second Street track. A howl of disapproval went up from the Milwaukee road which remarked viciously of the monopoly the Minneapolis and St. Louis would have upon the completion of the Albert Lea route.<sup>114</sup> The discontent lasted but a little while, however, for by June 30,<sup>115</sup> 1879 running agreements between the roads were again secured. The St. Paul and Pacific had early a suitable contract with Minneapolis road, and in addition gave the Minneapolis and St. Louis the right to lay track between Minneapolis and Cedar Lake.<sup>116</sup> However, when the Washburn road bid for and received the Fort Dodge and Fort Ridgely against the St. Paul and Pacific, the latter road terminated all agreements with Washburn's railway.<sup>117</sup>

In addition to the antagonism exhibited by competitive railway corporations, individuals began to oppose Washburn's

<sup>114</sup> Pioneer Press, May 1, 1877.

<sup>115</sup> "R.R. Report, June 30, 1879," in Minn. Ex. Doc., 1879, 92.

<sup>116</sup> Railroad Gazette, September 12, 1874.

<sup>117</sup> Pioneer Press, August 20, 1879.

policies. E.B. Washburne believed, upon the authority of <sup>118</sup> New York bond houses, that his brother had over expended. He recommended caution but to little avail. Washburn's former partner, Woodman, expressed himself in opposition to any expensive line which traversed the populous souther Minnesota counties, and thereupon Boston magnets refused to finance it. <sup>119</sup> Rail magazines called the attention of the reading public to the other rails in southern Minnesota which were now unable to pay interest. <sup>120</sup> The roads seemed to sense this public unrest and began to practice an anaconda policy. As if to give stability to the rail corporation, Washburn voted himself a director which gave the road the aspect of a corporation no longer controlled by Minneapolis residents. And then with all branches of the road completed, <sup>121</sup> he began movements to dispose of it.

Railroads played such an important part in the transportation of wheat and flour that any sale, lease, or extension of a line created a certain uneasiness among the millers. A destruction of low transport rates had the effect of both reducing profit for flour manufacturers and making it difficult for Minneapolis flour processors to meet eastern competition. Accordingly, when Washburn secured the lease with Burlington route and subsequently built the Minneapolis and St. Louis to the Iowa state line for the sole purpose of

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<sup>118</sup> E.B. Washburne to Washburn, June 28, 1877, Washburn Papers.  
<sup>119</sup> Woodman to Washburn, April 26, 1877, Woodman Papers.  
<sup>120</sup> Railway Age, December 8, 1876.  
<sup>121</sup> Woodman to D. Thompson, November 21, 1880, Woodman Papers.

meeting that road, the millers expressed a concern that such a connection might one day fall into unfriendly hands. The Fort Dodge division, giving the Minneapolis and St. Louis an alternative Chicago outlet, calmed the turbulent milling group somewhat but did not offer complete appeasement. In the late summer of 1879, the milling group was again greatly excited upon learning that the Burlington route entertained proposals for the transference of the Minneapolis and St. Louis lease on the Albert Lea to state line section to the Chicago and Northwestern. The millers believed such a transfer would put them too much in the hands of the Chicago pool lines; for although they trusted the Northwestern with the carriage of flour from the Burlington, Cedar Rapids and Northern to Chicago, they depended largely upon the Iowa pool<sup>122</sup> to curb any attempts of a single road to take all freight. Most alarmed, however, was the Pioneer Press which feared that the withdrawal of the fast freight and passenger trains between Minneapolis, Chicago, and St. Louis, would stifle the growth of the city. The residents, too, dependent on the flour industry for a livelihood, became similarly excited,<sup>123</sup> and supported any policy advocated by their employers. The public was soon put at ease by the assertion from the officers of the Washburn road that the lease could in no way be damaged by the Northwestern. The Pioneer Press was further quieted by the knowledge that only twenty-five miles of track

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<sup>122</sup> Pioneer Press, August 26, 1879.

<sup>123</sup> Ibid., May 26, 1879.

were necessary to make a connection shorter than the Fort Dodge route offered with the Illinois Central at Mona, Iowa, and by the knowledge that that road was always favorable to the Minneapolis and St. Louis.<sup>124</sup>

While the milling public was apprehensive over the outcome of the transfer, Washburn quietly watched the progress of the sale of the lease. He left suddenly for the East<sup>125</sup> which greatly perturbed the people of the fouring city who now viewed each move by one of the principals with misgivings. Whether Washburn's visit was responsible or not, the Burlington, after negotiating with the Northwestern directors and receiving their agreement to lease the road, somewhat unexpectedly decided to make the lease, on almost the same terms, with the Chicago, Rock Island and Pacific. Both boards ratified the agreement and the stockholders subsequently gave their approval. The aged John Blair, of New York, a stockholder in the Northwestern, even threw his support to the Rock Island purchase.<sup>126</sup>

The Railway Age pointed out the fact that the Rock Island found it necessary for its own protection to secure the lease, and editorially informed the public that it was just "another illustration of the sharp competition among the great western lines for new business, and shows that even a prosperous line cannot rest quietly in its achievements..."<sup>127</sup>

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<sup>124</sup> Pioneer Press, August 26, 1879.

<sup>125</sup> Ibid., August 27, 1879.

<sup>126</sup> The Railway Age, September 11, 1879.

<sup>127</sup> Ibid.

Eastern capitalists registered disapprobation of the Northwestern clique by refusing to grant the 27,507 votes needed to approve the lease.<sup>128</sup> The Rock Island now became the carrier of flour. The people at the Falls realized what might happen in case a road captured a connecting link and once more went into a feeling of uneasiness. Washburn gained from the forced transaction, for it brought him closer to the eastern rail magnets who were intent upon entering Minneapolis. Although these lines were bent ultimately upon forcing him to sell, Washburn met frequently with Blair with whom he later negotiated for the sale of his road.

During July 1879 the shippers of Minneapolis and St. Paul became much exercised over the report that the Chicago, Milwaukee and St. Paul and the Chicago, St. Paul and Minneapolis roads were trying to buy up the stock of the St. Paul and Duluth (Lake Superior and Mississippi).<sup>129</sup> The road had not always enjoyed prosperous times, partly because of the paucity of freight to Duluth after the close of navigation, and partly because shippers showed no disposition to aid the road by their patronage.<sup>130</sup> Because of the lack of revenue the Lake Superior and Mississippi went to the bondholders at a foreclosure sale held May 1, 1877, and a new company, called the St. Paul and Duluth, took over the contracts of the defunct road June 27, 1877.<sup>131</sup> The new corporation, whose

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128 Pioneer Press, February 20, 1880.

129 Northwestern Miller, July 18, 1879.

130 St. Paul Dispatch, July 24, 1879.

131 "R.R. Report, June 30, 1877," in Minn. Ex. Doc., 1877 (3 vols., Minneapolis, 1878), 2:402.

predecessor embodied the essence of competition toward foreign lines, showed hostility to the Chicago pool but for a short time, although it openly asserted a policy of antagonism to trans-Wisconsin lines. The capitalists, who represented the bondholders, were eastern men, and it was more than likely that a transfer at the time of the sale to some Chicago pool line was imminent. Any sale of the Duluth road, however, was of vital importance to the two cities which shipped freely over the road in times of lake navigation.<sup>132</sup>

The Pioneer Press received the news of the transfer with alarm and listed the detriments of the bankrupt sale to the Northwest. Efforts were made to stop the purchase. The milling press tried several means to devise a plan whereby the road could be bought under local control.<sup>133</sup> The Pioneer Press characterized the proposed purchasers as dragons attempting to eat up all the profits of the milling district and to stifle its growth. These eastern men, it claimed, "now held Minnesota in capitalistic subjection." Stagnation alone would result. "The railroad system of Minnesota has, it is certain,<sup>134</sup> lost its only competing outlet upon lake navigation . . . "

The St. Paul Dispatch looked upon the sale of the St. Paul and Duluth to unfriendly hands as a punishment for past sins since the whole state and notable the Minneapolis and St. Louis combined against it.<sup>135</sup> The Winona Republican noted that the pur-

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<sup>132</sup> Northwestern Miller, July 11, 1879.

<sup>133</sup> Ibid., Pioneer Press, July 15, 1879.

<sup>134</sup> Pioneer Press, July 15, 1879.

<sup>135</sup> St. Paul Dispatch, July 24, 1879.

chase placed every road out of Minnesota under control of Chicago and Milwaukee capital.

To counteract the situation the Republican suggested bringing the Green Bay and Minnesota, whose feeble administration and poor financial status made purchase easy, into the state through the Winona gateway. Once Minnesota capital owned the road, the line could be extended to all sections of the state. The Green Bay railway had, in the estimation of the Republican, all the features of a competitive road which the state of Minnesota needed.<sup>136</sup>

The sale of the Duluth road to a Chicago pool line would destroy the running agreement between the Washburn road and the St. Paul and Duluth, thus endangering the advantage that cheap lake transportation gave flour manufacturers and wheat shippers. The Minneapolis and St. Louis had boasted of two secure outlets, one north and one south, and hated to see any accumulated advantage destroyed.

The persistence of the rumor of purchase greatly perturbed President W. D. Washburn and sent him hastening to New York to learn the truth. He found out that the line had fallen into the hands of H.H. Porter, David Downs, and others who were large stockholders in the Western Wisconsin and the Northwestern. Downs, like Merrill of the Milwaukee road, was one of the greatest grain dealers in the Northwest,<sup>137</sup> and in one year allowed his agent, J.Q. Adams, to draw upon him for

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<sup>136</sup> Pioneer Press, July 16, 1879.

<sup>137</sup> Ibid., July 15, 1879.

the amount of \$3,000,000 to pay for wheat purchased in Minne-  
<sup>138</sup>sota. The millers, and more especially the local wheat  
 buyers, feared repetition of Merrill's speculations of some  
 ten years previous and supported the attack by the Minneapolis  
 and St. Paul press on the road.

The millers, friendly to Washburn's road, secured wheat  
 from the southern territory tapped by the Minneapolis and St.  
 Louis in sufficient quantities to assure a supplementary supply  
 for the mills. In 1880 the road carried better than 1,850,000  
<sup>139</sup>bushels northward, and in the same year some 350,000 barrels  
 of flour southward to the Chicago connection. But the millers'  
 uneasiness, registered during the sale of the Burlington  
 lease, caused them to look with increasing favor upon the  
 northern road which carried nearly 225,000 barrels northward  
<sup>140</sup>in the same year. The wheat not supplied by Washburn's  
 road came largely from wagons and the friendly St. Paul and  
 Sioux City in which R. R. Cable and the Thompsons of St. Paul  
 outvoted the Porter-Dows group. Millers showed great appre-  
 hension that the purchase of the lake road might well serve  
 to strangle their interests which depended upon a cheap and  
 easy route to the East. The Northwestern could now block  
 them northward and possibly, if railroad fortunes in southern  
 Minnesota changed again, in the south. Washburn realized that  
 without an outlet to the lake his road would suffer from de-  
 creased revenues. The Minneapolis and St. Louis demanded the

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138 Pioneer Press, July 18, 1879.

139 "R.R. Report, June 30, 1880," in Minn. Ex. Doc., 1881, 2:844.

140 Ibid.

lake gateway because the Iowa extension was predicated upon the idea that the lake furnished cheaper transportation to the East, even over the rails to Duluth, than could be secured by direct shipment over the Iowa pool roads. It was the general policy of the road to have a lake chute all times as a safety valve to the possible closing of the southern gateway. Washburn noticed the press insisted on a northern outlet and, as the city of Minneapolis had furnished a quarter of a million of dollars to his early enterprise, its wishes in maintaining the opening could not well be overlooked.<sup>141</sup>

Meantime, the press insisted on a definition of policy of the new St. Paul and Duluth corporation. The Pioneer Press hoped because of the grain speculations that Dows' interests as a wheat dealer would be greater than those of a rail stockholder. The result could then not prove so disastrous to the interests of the city as was earlier contemplated.<sup>142</sup>

When editorially pressed for a statement, J.P. Smith, attorney for the new corporation, openly informed the milling public that the purchasers acted in their own interests and not those of any Chicago pool line. They opposed any efforts of the Chicago roads to dictate a policy to the St. Paul and Duluth, but agreed to allow both the Minneapolis and St. Louis and St. Paul and Pacific to "contract freight to points on or over the other road at the same rate it carries it over its own line." The Philadelphia capitalists were largely interested in the timber resources, he claimed.<sup>143</sup> President J.P. Ilesley,

<sup>141</sup> Pioneer Press, May 6, 1880.

<sup>142</sup> Ibid., July 18, 1879.

<sup>143</sup> St. Paul Dispatch, July 24, 1879.

upon his return to St. Paul after a meeting with the stockholders in the East, approved Smith's statements, and publicly asserted the road would be run in competition to the Chicago lines as previously inasmuch as the stock was not owned by the Northwestern.<sup>144</sup> The milling press doubted the veracity of the statements, and when the road raised the flour rate 14 cents a barrel, there was a definite feeling that the Duluth road tended to rob the people of the two cities.<sup>145</sup> The solution seemed to lie in one of three ways: leasing; purchase by friendly interests; or construction of a new road to the East.<sup>146</sup>

Washburn's whole rail enterprise was founded upon the supposition that the lake road would remain in local hands. The continuation of his multilateral enterprises at Minneapolis hinged upon cheap transport rates for flour, and when the St. Paul and Duluth out of season raised the flour rate 14 cents per barrel he definitely felt that his opportunities for profit were curbed.<sup>147</sup> Washburn had always considered the lake road his natural ally because neither tapped a region in competition with the other. He willingly worked in conjunction with it,<sup>148</sup> and found that by a combination with his and the lake road the trans-Wisconsin lines could be forced to reduce the tariffs on the Chicago runs. This, of course, insured low flour rates

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<sup>144</sup> Pioneer Press, July 22, 1879.

<sup>145</sup> St. Paul Dispatch, August 25, 1879.

<sup>146</sup> Pioneer Press, July 22, 1879.

<sup>147</sup> St. Paul Dispatch, August 25, 1879.

<sup>148</sup> Washburn to Woodman, April 9, 1871, Woodman Papers.

for his own and other mills, and increased the sale of water power rights to companies enlarging mills. The enlargements drew southern and western wheat to the Falls mills with surplus bushels going northward over the Minneapolis and Duluth which received a twenty per cent drawback from the Duluth road.<sup>149</sup>

No sooner had the purchase of the St. Paul and Duluth been authenticated<sup>150</sup> than Washburn approached the new company for a statement on the continuation of the earlier agreement. After a short consideration, the new corporation agreed that the road could continue to dispatch freight as before but gave no assurance the policy would be a permanent one.<sup>151</sup> The lack of a definite answer gave rise to the rumor that the two Washburns intended to lease the road, but such action was not at all favored by the Duluth corporation.<sup>152</sup> The negotiations reopened again in the spring. Meanwhile, Washburn, more as a threat than anything else, began to survey routes and even to construct roads to the lake coast. Such moves were not without effect, for by the first of April preliminary negotiations had reached the point where the two roads discussed the conditions of a lease. A temporary agreement was drawn up calling for the joint use of the St. Paul and Duluth for a term of five years at an annual rental of fifty thousand dollars. A further condition of the contract was the

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149 Washburn to Woodman, April 9, 1871, Woodman Papers.

150 Northwestern Miller, July 18, 1879.

151 St. Paul Dispatch, July 24, 1879.

152 Ibid.

abandonment of the proposed lake railway to Taylor's Falls and northward, undertaken at the time of the Duluth sale, and joining with the Duluth road in building to that city. A further stipulation granted the Minneapolis and St. Louis the privilege of using the road should the railway, at some time in the future, build to the lake.<sup>153</sup> The eastern directors did not give blanket approval to the contract. The term of the lease was cut from five to three years, but the consideration and all other terms remained the same.<sup>154</sup>

The lease was but a temporary expedient to Washburn. It gave him but three years respite before the Chicago pool lines could begin to apply "the anaconda policy" to the northern outlet. With pool lines to the north and south, he faced the hopeless task of maintaining his road against heavy odds. The only solution then existent was perpetual lease. Several trips to the East, made at the close of 1880,<sup>155</sup> proved unfruitful, but the visits did put him in close touch with the men who desired to control his road. He again saw the strategy of the Northwestern: to apply a policy of force on the Minneapolis and St. Louis with the supreme effort of getting into the milling area. Washburn now clearly saw that, unless unforeseen happenings took place, he must either sell the road or build to the lake.

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<sup>153</sup> Pioneer Press, April 28, 1880.

<sup>154</sup> Ibid., May 2, 1880; "R.R. Report, June 30, 1880," in Minn. Ex. Doc., 1881, 2:843. The lease was recorded in the commissioner's office May 17, 1880.

<sup>155</sup> Woodman to Daniel Thompson, November 27, 1880; Woodman to Washburn, December 2, 1880, Woodman Papers.

The lease had no influence upon the trans-Wisconsin rates. To all appearances Porter and Dows carefully guarded the interests of their other roads by stipulations and restrictions little known to the general public. It appeared to the press than the only object in granting the lease was to prevent the construction of a rival road to the lake. It seemed highly significant also that the Minneapolis and St. Louis found it necessary to grant the Chicago, St. Paul, Minneapolis and Omaha (the old St. Paul and Sioux City) the right to pull its trains over the former's tracks into Minneapolis,<sup>156</sup> although the lease gave no mention of it. Some believed that the lease might still call for competition between the Milwaukee and St. Paul and the Washburn road, but Washburn and General Manager Merrill met in the middle of July 1879 and arranged a truce in the war which had been waging since early 1877.<sup>157</sup> The appearance of the two men in Minneapolis on November 16, 1879 gave indication "that certain business complications existing between the Milwaukee and St. Paul and the Minneapolis and St. Louis companies will be promptly and satisfactorily straightened out as a result of their Sabbath reappearance."<sup>158</sup> The conference of the two men dispelled all ideas of competition between the respective roads, prematurely held by an excited public, when the Minneapolis and St. Louis announced the culmination of

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<sup>156</sup> Pioneer Press, April 19, 1880; April 29, 1880.

<sup>157</sup> Farm and Factory, May 4, 1877.

<sup>158</sup> Pioneer Press, November 17, 1879.

the St. Paul and Duluth lease. No one ever realized that two roads, so diametrically opposed to each other so consistently for such a long period of time, could ever iron out their difficulties. The dream of low flour rates, secured by the two lines, one time highly competitive, faded away. But the contract augured well for Washburn. Within the next year and a half he sold his controlling interest in the Minneapolis and St. Louis. Had the conversations with Merrill been anything other than beneficial to Washburn, especially at a time of strong rail monopolies, he could never have sold out.<sup>159</sup>

It was through General Manager Hatch, of the Minneapolis and St. Louis, that Washburn, at the time of the Duluth lease, announced a new policy toward the Milwaukee and St. Paul. Hatch affirmed that no rivalry with the Merrill road was now contemplated. The road was not interested in competition but cooperation, and the motive force behind the Duluth lease was not to ruin the Milwaukee road, but rather the contract was undertaken because the Minneapolis road had promised to maintain a lake outlet for the benefit of both the flour city and the entire Iowa extension. Hatch maintained that the reason for the abandonment of the White Bear to Taylor's Falls and thence northward line was a purely business one, and one which involved the savings of a good share of money.

Meanwhile, the purchase of the Duluth line by the Chicago pool magnates and the propaganda campaign of the Twin Cities press galvanized the people of the area served by the <sup>159</sup> Pioneer Press, May 6, 1880.

St. Paul and Duluth into action. All the news sheets in the state joined in the cry for a convention to determine the status of opinion of the territory dependent upon this important road. The various newspapers collectively agreed that July 22, 1879 was best suited for the day when delegates from all Minnesota cities should meet in a determined effort to find a way to break the iron hold of "Chicago capitalists." From Minneapolis, to advance the interests of the Minneapolis and St. Louis as well as to safeguard other Washburn investments, came President W. D. Washburn, who because of his position with the company, became one of the principal speakers of the convention. He carefully unfolded a history of the lake road and proudly informed the gathering of his refusal, fully a year before, to join a group of Chicago pool operators to buy up the Duluth road. The Duluth road, he said, was "purchased for a specific purpose--not for a business investment, for the road never made a dollar. It was purchased for the one and only purpose of regulating the rate of transportation and regulating them, too, on the Chicago basis. We must," he continued, "have a lake route; one that is the cheapest and shortest. It is vital to our existence that we shall have a route by which goods can be delivered at St. Paul and Minneapolis as cheaply as at Chicago and Milwaukee." <sup>160</sup>

President Washburn's oratory was not without effect.

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<sup>160</sup> Pioneer Press, July 23, 1879.

It secured for him a position on the committee on resolutions which brought in a set of resolves defining the general policy of the convention. The general feeling was for a lake road, but President Washburn crystalized the idea in the fifth resolve which called for the immediate construction "of an additional line of railway to the head of Lake Superior, the same to be operated in the interest of Minnesota and the entire Northwest and in connection with the lines of railways already built, looking to Lake Superior as their summer out-

let."<sup>161</sup> But the St. Paul Dispatch, however, took the speech with reserve. It sourly noted that the Minneapolis and St. Louis was one of the roads disposed to hurt the old Duluth route by its lack of disposition to aid the line. W. D. Washburn and members of the financial interests of the two cities generally "were willing to allow the men who had put their money in the road to shake the bush while they would stand by and catch the bird, in the shape of reduced freight rates." The paper continued sarcastically, that "Gen.[W.D.] Washburn is only throwing dust in the people's eyes by his remarks he made at the convention a day or so ago. What he wants is a feeder for the Minneapolis and St. Louis road to Taylor's Falls, thus carrying freight to connect with the Chicago system at Albert Lea, the southern terminus of his road."<sup>162</sup> Ilsley, of the Duluth line, hastened to inform the

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<sup>161</sup> Pioneer Press, July 23, 1879.

<sup>162</sup> St. Paul Dispatch, July 24, 1879.

nervous public of the director's intention not to tear up the tracks, and force the traffic over the trans-Wisconsin roads, but to continue to operate against the pool lines.<sup>163</sup> Although the public was confused, it took delight in watching the battle between President Washburn and opposing forces.

The absence of C. C. Washburn in the East, where he was arranging terms with the obstreperous Milwaukee, forced President Washburn to answer the Dispatch's criticism alone. In a subsequent issue, the Dispatch carried a carefully written article defining his statements in the convention. President Washburn stated that the interest of the Minneapolis and St. Louis in building to Taylor's Falls was solely to get an independent road to the lake. To prove that he did not jealously guard the profits he proposed that the Minneapolis and St. Louis, St. Paul, Minneapolis and Manitoba, and the S. Paul and Sioux City join hands at Taylor's Falls and build toward the lake. He dispatched the rumor that the St. Paul and Pacific had consolidated with the Minneapolis and St. Louis road, and carefully informed the general public that the Fort Dodge construction was not an attempt to cut loose from Minneapolis and make it a way station but rather to bring more traffic into the city and thus compete with the Chicago lines.<sup>164</sup> Despite registered antagonism, the Dispatch generously supported any project that might release the Northwest from a position quite similar to the one held before the build-

<sup>163</sup> Pioneer Press, July 23, 1879.

<sup>164</sup> St. Paul Dispatch, August 15, 1879; Pioneer Press, July 1, 1879.

ing of the Lake Superior and Mississippi line. The sheet called to the attention of all Minnesota that free trade and cheap transportation between the Northwest and the Atlantic seaboard was imperative if the state were to develop.<sup>165</sup>

The belief of the convention that it was the intention of the Chicago, Milwaukee and St. Paul and the Northwestern to control, by agreement, all lines between the Mississippi and Lake Michigan caused the birth of many proposals for independent roads. Said the St. Paul Dispatch, "The time is near at hand when St. Paul and Minneapolis, acting in concert, can build a railroad across the northern part of Wisconsin to connect with Canadian roads. Such would make Minnesota and the Northern Pacific independent of Milwaukee and North-western."<sup>166</sup> Rival Pioneer Press, a champion of the Washburn road, advocated an extension of the Minneapolis and St. Louis to Taylor's Falls and then join with the St. Paul and Stillwater to build on to either Superior or Ashland. Far more important, it editorialized,<sup>167</sup> was to build an independent road directly to the seaboard. The St. Paul and Duluth answered the above proposals by laying new steel on the Duluth line and building on to Taylor's Falls to tap the region into which Washburn chose to go.<sup>168</sup> New York promoters, interested in the field, prescribed the "building of another railroad from St. Paul to Lake Superior", rather than allow the lumber and flour interests to "suffer from the hands of the monopoly

<sup>165</sup> St. Paul Dispatch, July 23, 1879.

<sup>166</sup> Ibid., July 15, 1879.

<sup>167</sup> Pioneer Press, July 16, 1879.

<sup>168</sup> St. Paul Dispatch, October 29, 1879.

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 railroads." When the Pioneer Press learned that the north Wisconsin road, projected from Hudson to Bayfield and within sixty miles of completion, fell into the hands of the same syndicate as the Duluth and thus cut off competition from that source, it backed any new road to the East.<sup>170</sup>

The sale of the St. Paul and Duluth furnished the people and the press of St. Paul and Minneapolis with food for dreams and the concoction of new rail projects to cut into the monopolies established by the Chicago lines. Every one, from the most indolent loafer in front of the rail station to the greatest capitalist or rail promoter, hatched schemes which, in some manner, broke the tight control. The Pioneer Press recorded from all the garbled conversations four jamor proposals which floated around the Twin Cities and received much credence. All were theoretically based, at least, upon the speech delivered by ex-Governor Israel Washburn, noted Maine war governor and brother of C. C. and W.D. Washburn, to Minneapolis rail investors on the occasion of his visit to his brothers and two sisters in 1873. Invited by the Minneapolis Board of Trade to address the group, Governor Washburn, on April 7, 1873, spoke on the desirability and practicability of a rail connection from Minneapolis to Atlantic via the Soo.<sup>171</sup> In the presence of prominent people of Minneapolis and St. Paul, Israel Washburn directed the attention of the

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169 George Woodman to Woodman, August 9, 1879, Woodman Papers.

170 Pioneer Press, July 22, 1879; August 18, 1879.

171 Atwater, History of Minneapolis, 1:335.

gathering to the need of a direct route to the Atlantic coast, "one that may be constructed for the transportation of passengers and freight to the Atlantic ports and markets of the East," if Minneapolis were to ever be a great and prosperous city. Keen competition demanded that the route be short and cheap, and he advocated the building of a road to connect with the Canadian lines at Sault St. Marie but having an eastern terminus at Portland, Maine.<sup>172</sup> The press received the speech with a great deal of interest, but as long as the lake road remained in local hands there was no need of building towards the East. But the speech had effects. It gave rise to speculations on the advantages of such a road. It made Minneapolis more conscious of the Washburns. It turned the attention of the whole nation toward the Minneapolis and Duluth and the Minneapolis and St. Louis and caused many to believe that one day the dream would be fulfilled. It aided Washburn in the construction of the proposed Albert Lea division, which would have been completed earlier had not the panic of 1873 tied up the financial centers of the East and forced him to take over the property of W. D. Washburn who faced bankruptcy.<sup>173</sup> But to Israel Washburn it was an attempt to arouse interest in a road which would aid Portland in its battle against Bostonian supremacy.

When the railroad proposals were at their height, in the period following the sale of the Duluth road, the Pioneer Press began an active campaign for the eastern line. It re-

<sup>172</sup>

Minneapolis Daily Tribune, April 7, 1873; Pioneer Press, April 7, 1873; July 20, 1879.

<sup>173</sup>

Washburn to Woodman, March 23, 1873, Woodman Papers.

printed a portion of Governor Israel Washburn's speech, which now received great publicity in the press of Minnesota and in the major towns of the East and Canada that stood to profit from the construction of such a road. The Portland, Maine Argus recalled the now famous speech and painted a bright picture of the advantages of such a road to the Twin Cities and to Portland. The Winona Republican again favored the Green Bay road, but approved of any line that destined to break the Chicago monopoly. Contemporary news sheets to the south of the river city, especially those along Washburn's Minneapolis and St. Louis road, felt <sup>174</sup> greatly interested and declared that something must be done. The millers were always interested. The export milling trade was now increasing weekly, and millers did not choose to soon lose supremacy. The Montreal Board of Trade displayed great interest after a wide distribution of editorials of the Pioneer Press and the Portland Argus given in favor of the Sault route and bent <sup>175</sup> every effort to construct lines westward. The completion of the road in 1887 and the presidency of W.D. Washburn gives testimony that it was a millers' project despite the ridicule of the Northwestern Miller which believed it fit only for <sup>176</sup> eskimos.

Each of the four advocated projects received considerable support at one time or another. Congressman Thaddeus C. Pounds, of the Eighth Wisconsin District, Chippewa Falls,

<sup>174</sup> Pioneer Press, July 20, 1879.

<sup>175</sup> Ibid., October 16, 1879; January 30, 1881.

<sup>176</sup> Northwestern Miller, June 13, 1879; Kuhlmann, The Minneapolis Flour Mills, 145.

advocated the building of a road from St. Paul and Minneapolis to Peshtigo, Wisconsin. Pound incorporated his road, the St. Paul Eastern Grand Trunk Railway, under the laws of Wisconsin, September 6, 1879. The charter allowed him to build from a point on Lake St. Croix to one on Green Bay or Lake Michigan "between the south line of township 19 and the north line of township 31." A surveyor's group reported excellent timber and reasonable assurance of success. Although Pound owned valuable timber in the northeastern part of Wisconsin and had the support of W.A. Ellis and W.H. Youngs, lumbermen from Peshtigo and Oconto, the harbor conditions at the latter place kept the project from fruition. Its greatest support in the Twin City area came because it was expected to be an anti-Chicago pool road.<sup>177</sup> President Colby, of the Wisconsin Central, proposed the building of a road from Abbotsford northeastwardly through the timber and iron region of Wisconsin and northern Michigan to Sault St. Marie to connect with an extension of the Canadian Pacific. But no construction, despite a survey in May 1881, was undertaken during Washburn's connection with the railroad industry.<sup>178</sup> Colby called his road the North Wisconsin which lost all public favor when it fell into the hands of the same monopolists who purchased the St. Paul and Duluth. The completion of that road, although it provided a new inlet for eastern goods and an outlet for certain northwest products, was of little value to the millers who desired the cheap rates any competing line, inimical to

<sup>177</sup> Pioneer Press, July 19, 1879; "Sixth Annual Report of the Railroad Commissioner of the State of Wisconsin, 1879" in Governor's Message and Accompanying Documents, 1880 (2 vols., Madison, 1880), 1:231.

<sup>178</sup> Railway Age, April 7, 1881; Northwestern Miller, April 18, 1881.

pool roads, proffered. The fourth proposal, and the one which received the greatest measure of support from the milling northwest, was that of the Minneapolis and St. Louis. Washburn proposed the building to Taylor's Falls and thence to Superior City with a branch eastward to connect with the Canadian route at the Soo. Such a route satisfied all groups: those interested in the lake outlet and those desiring a road connection to the East.

The original charter of the Minneapolis and St. Louis allowed a terminal option on the St. Croix River. Only the division from Minneapolis to White Bear Lake, a station known as the Minneapolis and Duluth, was ever constructed. But the swift turn of events, since the middle of 1877, caused Washburn to believe that the time had now arrived for the completion of the whole road. The realization that one day the northern outlet might be closed, and such was quite likely with the St. Paul and Duluth in unfavorable hands, served to hasten the project. Everyone knew the St. Paul and Duluth was a satellite corporation of the Chicago pool lines, and would do all things necessary, despite spirited denials by the officials, to force the use of trans-Wisconsin lines. Already the Western Wisconsin, of the same pool line group, pulled its trains into Minneapolis and St. Paul by using the St. Paul, Stillwater and Taylor's Falls road from Hudson to St. Paul, and the St. Paul

179 St. Paul Weekly Press, February 18, 1875; Pioneer Press, December 10, 1879; La Crosse Leader, October 20, 1874; "The Railroad System of St. Paul," in Seventh Annual Report of the St. Paul Chamber of Commerce for the Year Ending December 31, 1873 (St. Paul, 1874), 29. Jay Gould at one time opposed completion of the road because of heavy timber investments and harbor facilities at Duluth. Gould only controlled the road for about six months in 1875.

180 Pioneer Press, December 10, 1879.

and Pacific from St. Paul to Minneapolis. The Minneapolis and St. Louis was faced with the possibility of decreased revenues, for if all roads were pool lines there was a very great probability that the trans-Wisconsin roads, being shorter, would soon rob it of traffic. Nor was Washburn without other inducements. The admirable water power at Taylor's Falls, owned by the heirs of Caleb Cushing intensified his interests.

Early in 1878 Washburn turned towards Taylor's Falls. W.D. Washburn went to the village to secure public favor for the project, and publicly announced the extension of the road up the St. Croix Valley.<sup>182</sup> The Polk County Press requested the road to go by the way of Osceola and Marine Falls,<sup>183</sup> but the Washburns abided by the decisions of the engineers. The St. Paul Dispatch, a political enemy of W. D. Washburn and leader of the intense city rivalry against Minneapolis, claimed the Minneapolis and St. Louis had little interest in the Taylor's Falls traffic. The Washburns, it intimated, had eyes for the water power "since their own was pretty well taken up." The paper led the people of St. Paul to believe that the Washburns hoped to destroy St. Paul by controlling the lumber supply of the valley, and thus rob the city, now fast becoming a lumber center since Washburn refused to extend water power leases due to the greater demands of the flour mills, of its position as the leading lumber distributing point of the North-

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181 "R.R. Report, June 30, 1877," in Minn. Ex. Doc., 1877, 2:445.

182 Pioneer Press, April 12, 1878.

183 St. Paul Dispatch, January 23, 1879.

west. Such proved idle chatter. Washburn intended to use the Taylor's Falls division and the ultimate extended line to Lake Superior as a lever to squeeze low rates from the trans-<sup>185</sup> Wisconsin roads. But it also could be, if the lake extension were never built, a feeder line for the southern outlet as the St. Paul Dispatch editorially believed when it curtly criticized W. D. Washburn's speech to the convention of July, 1879.<sup>186</sup> Washburn was aware of that, but the profits from a lake railway undoubtedly attracted him further.

When W. D. Washburn announced to the people of Taylor's Falls the intention of the Minneapolis and St. Louis to build to the village,<sup>187</sup> he was practically informing them that the Taylor's Falls and Lake Superior Railroad Company had fallen into the Minneapolis corporation's hands and, that the latter company intended to complete the charter terms. The Taylor's Falls road was chartered February 19, 1868 for a term of fifty years. The company intended to build and operate from some point on the Lake Superior and Mississippi, rapidly nearing completion at that time, to Taylor's Falls and thence, if charter rights could be secured from Wisconsin, on to Lake Superior. The incorporators, among whom were Joshua Taylor and E.D. Whitney, capitalized the company at \$200,000 but did little in the way of pushing the construction of the line.<sup>188</sup> Between the time that the Taylor's Falls charter fell into

<sup>184</sup> St. Paul Dispatch, January 23, 1879.

<sup>185</sup> Pioneer Press, December 10, 1879.

<sup>186</sup> St. Paul Dispatch, July 24, 1879.

<sup>187</sup> Pioneer Press, April 12, 1878.

<sup>188</sup> "R.R. Report, August 31, 1871," in Minn. Ex. Doc., 1872, 2:98.

Washburn's hands and the first of the following year, three separate surveys had been run, and the new stockholders met to accept the most favorable. <sup>189</sup> Previously, W. D. Washburn journeyed to Massachusetts to purchase the water power rights at St. Croix Falls, which gave foundation to the story printed in the Dispatch that the Washburns were more interested in power than rails, <sup>190</sup> and a right of way. <sup>191</sup> New York brokers began to speculate on the probabilities of the road's completion, <sup>192</sup> and general interest turned in the direction of the road. It was the beginning of an attempt to circumvent the monopoly roads and thus it generated much interest.

Although the surveys were finished in the early days of 1879, it was not until the winter of 1879-1880 that the Taylor's Falls corporation decided to construct the road. At a stockholders' meeting held in February, 1880 in which Washburn was represented by General Manager Hatch, the shareholders elected the two Washburns and three Taylor's Falls men to the board of directors and chose John Martin as president. Despite the fact that all directors were not present, the board proposed to build from White Bear Lake to Taylor's Falls and have the road in operation by August 1, 1880. Taylor's Falls voted \$23,700 in aid of the road which the company agreed to accept upon the consummation of the line. Henry and Basch secured <sup>193</sup> the grading contract.

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- <sup>189</sup> Pioneer Press, January 28, 1879. One survey went via Forest Lake, one east of Big Lake, and one by the way of Marine Falls and up St. Croix on the Minnesota side.
- <sup>190</sup> St. Paul Dispatch, July 24, 1879.
- <sup>191</sup> Pioneer Press, March 25, 1879.
- <sup>192</sup> George Woodman to Woodman, August 9, 1879, Woodman Papers.
- <sup>193</sup> Pioneer Press, February 10, 1880; February 20, 1880; Railway Age, February 19, 1880.

Simultaneously, one of the greatest consolidations in the history of the state had taken place. On February 18, 1880, the Minnesota commissioner granted a new charter to a consolidation of the Northern Wisconsin, the Western Wisconsin, the St. Paul and Sioux City, and the Chicago, St. Paul and Minneapolis. This new corporation had stockholders in common with the St. Paul and Duluth, and the fears of the milling public were at last realized. Washburn moved swiftly, and his public announcement of the proposed railway to Taylor's Falls, and ultimately to the lake received joyous attention from the entire state.<sup>194</sup>

Meanwhile, the Minneapolis and St. Louis had received little attention from the St. Paul and Duluth road, when the former approached the latter for a lease.<sup>195</sup> Negotiations lagged, but when Washburn publicly announced the surveys of a line to Taylor's Falls and incorporated the St. Croix Falls and Sault Ste. Marie Railroad in Wisconsin,<sup>196</sup> the Duluth road<sup>197</sup> reopened negotiations and granted an agreement. Construction on the Taylor's Falls road ceased, save on the last three miles which the St. Paul and Duluth and the Minneapolis and St. Louis decided to utilize in the joint construction from Wyoming to Taylor's Falls.<sup>198</sup> The Taylor's Falls and Superior road ceased as an active corporation. It was, however, the determination

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<sup>194</sup> Pioneer Press, February 20, 1880.

<sup>195</sup> Ibid., July 24, 1879.

<sup>196</sup> Northwestern Miller, February 20, 1880.

<sup>197</sup> Pioneer Press, April 20, 1880.

<sup>198</sup> Ibid., April 20, 1880; May 4, 1880.

of Washburn to circumvent the new northern colossus by constructing to the lake which forced the St. Paul and Duluth, a satellite company of the new corporation, to capitulate and grant even a short lease. But the victory could only be temporary, for the powerful corporation, exerting pressure from the North, ultimately forced the sale of the entire road to eastern capitalists.

The announcement of the intention to build a road to Taylor's Falls was the signal for the formation of a corporation to continue the line to Lake Superior. Since the intended road lay in Wisconsin, Washburn and his friend, State Senator G.S. Van Steenwyck, of La Crosse, Wisconsin, secured a charter from that state to build "from St. Croix Falls to Superior City on Lake Superior and thence through the counties of Polk, Burnett, and Douglas with a branch to Montreal River." The incorporators, including mostly stockholders of the Taylor's Falls company, capitalized the new company at four million dollars.<sup>199</sup>

The creation of a corporation of such magnitude, and at a time when Minneapolis faced a rather hopeless situation concerning flour transportation, aroused much interest. The Pioneer Press noted happily the purpose of the company and published, for the public's enlightenment, an exclusive interview with Washburn. It did not hesitate to point out that the new road was organized in the interests of the Minneapolis and St. Louis, and that Washburn had already sent out surveying parties from St. Croix Falls, across the river from Taylor's

<sup>199</sup> Railway Age, February 19, 1880; Northwestern Miller, February 20, 1880; Milwaukee Sentinel, February 17, 1880; February 18, 1880.

Falls, to select the best way to Lake Superior. Subsequently, it recorded that Washburn hoped to survey the eastern route from Superior to the Montreal River in 1881.<sup>200</sup> Michigan capitalists likewise became interested, but it was not until October 12, 1881, long after Washburn abandoned the entire project, that the St. Mary's and Minneapolis Railroad, from St. Mary's to the Montreal River was chartered.<sup>201</sup> Boston capitalists were not at all sanguine of the outcome of the railway. Cyrus Woodman frowned upon the construction of any road across the peninsula, and wanted additional security other than that offered by the bonds before he would invest.<sup>202</sup> Such was not secured.<sup>203</sup> The railway remained, however, a paper road after the Duluth lease. Grading contracts were canceled,<sup>204</sup> and sole attention now turned to the Wyoming outlet provided in the Duluth lease. After the sale of the road by Washburn no more attention was paid to it, and the road languished until completed in the form of the Soo line in 1887.<sup>205</sup>

The dual problem of financing and at the same time retaining control of the Minneapolis and St. Louis very early faced Washburn. When the White Bear Lake to Carver line was

<sup>200</sup> Railway Age, February 26, 1880; Pioneer Press, February 25, 1880.

<sup>201</sup> "Ninth Annual Report of the Commissioner of Railroads of the State of Michigan, for the Year Ending December 31, 1880," in Joint Documents of the State of Michigan for the Year 1880 (3 vols. Lansing, 1881), 3:XXXV.

<sup>202</sup> Woodman to Washburn, March 9, 1880, Woodman Papers.

<sup>203</sup> Washburn to Woodman, November 30, 1880, Woodman Papers.

<sup>204</sup> Pioneer Press, May 4, 1880.

<sup>205</sup> Ibid., February 16, 1881; Railway Age, January 19, 1882.

undergoing construction that problem became so large that he appealed to his former partner, Woodman, for financial aid and assistance. <sup>206</sup> Washburn well understood that should the control of the road be wrested from him he stood well to lose financially, not in the road alone but the water power, which he substantially owned, and the flour mills which he so highly prized. He therefore made fervent appeals to friends and family members alike for financial assistance so that bankruptcy would not overtake him. He did, of course, safeguard all investors in the road with the traditional mortgage bonds which the investing public rapidly acquired, but the ownership of the bonds and stock continually worried him until the sale of the road in 1881. He sought to diffuse their ownership as a protection against any individual, outside of himself, having complete control of the railway. In this he was successful, although the magnitude of the problem consumed more time than he could readily give it.

But the rail interests did not stand alone. Washburn needed large funds for the development of the water power. His lumber interests in Wisconsin, and the huge mill at La Crosse, the largest in the city, not to mention the flouring mills at the Falls demanded funds for pay rolls and purchases. He felt, too, that upon him fell the task of guarding the interests of W. D. Washburn who by 1873 had overstepped himself and faced bankruptcy. Washburn acquired his brother's property at Minneapolis and began liquidating the debts. The transaction was not without some compensation, for it brought another

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Washburn to Woodman, November 30, 1870, Woodman Papers.

share of the Minneapolis and St. Louis into his own possession. Consequently, it made it easier to secure a larger share of the promoters construction stock upon each new authorization. When a financial policy was determined, Washburn, although he did not appear as a director until 1879 when he had forsaken a political career, was responsible.

No small amount of financial assistance came from local units of government which greatly appreciated the road traversing their jurisdiction. The city of Minneapolis gave two hundred fifty thousand, in city bonds, to build the road southward to Albert Lea and the state line. The little city of Carver, not at all unmindful of the importance of another road, raised the sum of twenty thousand payable upon completion of the short line from Minneapolis to the city limits. <sup>208</sup> In 1876 the town of Woodville, Waseca County, showed great enthusiasm for the project by voting the staggering sum of thirty thousand. <sup>209</sup> When Washburn purchased the Fort Dodge and Fort Ridgley, Humboldt and Webster Counties in Iowa levied a 5% tax on real estate and the former granted 11,500 acres of swamp lands. Wahona township alone, hoping to derive more benefits, granted an additional \$36,000, the proceeds of a 5% tax. A similar situation followed upon the acquisition of the Minnesota and Iowa Southern. Winnebago County and the townships of Britt, Erin,

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- 207 Woodman to Washburn, October 29, 1873; November 10, 1873; November 17, 1873; C.L. Stephenson to Woodman, December 13, 1873, Woodman Papers; E.B. Washburne to Washburn, December 29, 1874; January 27, 1875; February 16, 1875, Washburn Papers.
- 208 Washburn to Woodman, March 24, 1871, Woodman Papers; Pioneer Press, November 13, 1877; Railroad Gazette, November 23, 1877.
- 209 James E. Child, History of Waseca County, Minnesota (Owatonna, 1905), 321.

Madison, Crystal, Bingham and Magor in Hancock County levied a 5% tax which totaled \$86,379.06. The former county, in addition, granted a right of way valued at \$3,000. Civil authorities encountered difficulties in the collection of the real estate tax so that often the railway realized little from that source but nevertheless it reached a substantial amount.<sup>210</sup> The city and county bonds found ready acceptance with local or city investors many of whom purchased them below par. Washburn accumulated a large share of the Minneapolis city bonds which he kept in trust for his daughter.<sup>212</sup>

Most of the money for the construction of the road came from the sale of first mortgage bonds. Drawing the rate of seven percent, the paper made an attractive investment to eastern railroad bond speculators and frugal Europeans who never had hoped to reap such an unprecedented interest rate. Early Minnesota rail issues found ready acceptance in Holland where Amsterdam agents placed a large amount of St. Paul and Pacific bonds at that high rate.<sup>213</sup> But the Granger legislation of the 1870's subsequently weakened sales there, and brought the Weekly Pioneer Press to admonish Donnelly for his attack on the rails and to appeal to the people of the state to refuse

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<sup>210</sup> "Second Annual Report of the Board of Railroad Commissioners for the Year Ending June 30, 1879," in Legislative Documents Submitted to the Eighteenth General Assembly, State of Iowa, 1880 (4 vols., Des Moines, 1880), 2:291; "Third Annual Report of the Board of Railroad Commissioners for the Year Ending June 30, 1880," in Legislative Documents, Nineteenth General Assembly, State of Iowa 1882 (5 vols., Des Moines, 1882), 3:489.

<sup>211</sup> Woodman to Washburn, November 30, 1871, Woodman Papers.

<sup>212</sup> Washburn to Woodman, March 29, 1880, Woodman Papers.

<sup>213</sup> Folwell, History of Minneapolis, 3:442.

support to a political leader who made it difficult to market Minnesota rail securities abroad and indirectly to develop the state.<sup>214</sup> Despite that fact, and also that the St. Paul and Pacific defaulted in 1873, Washburn marketed a large share of first issues in Holland. General Gylbert S. Van Steenwyck, late Dutch consul and one time prominent Dutch citizen but now head of the Batavian Bank at La Crosse, exercised no small influence in the disposal of the Minneapolis bonds to Dutch investors. Washburn's name became synonymous with security, and on trips to Europe in the interests of new methods for the manufacture of flour, he stopped to inform Dutch bondholders of the financial status of the road.<sup>215</sup> English syndicates, however, frowned upon rail issues of the new West. J.P. Morgan, of London, openly informed W.D. Washburn that his "company was friendly only to the old established roads in the East." W.D. Washburn, touring Europe after the panic of 1873, frantically wrote Washburn of Morgan's attitude. "I don't see," he said,<sup>216</sup> "what we can do but something must be done." The few Minneapolis and St. Louis bonds held by English investors come through Morton, Rose and Company whose New York counterpart<sup>217</sup> handled the road's issues.

The most ready market for the rail securities was New York which sprang into banking prominence before the Civil War. The investing public had learned much of Washburn from

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<sup>214</sup> Weekly Pioneer Press, September 10, 1875.  
<sup>215</sup> Washburn to Woodman, July 19, 1874, Woodman Papers.  
<sup>216</sup> W.D. Washburn to Washburn, April 28, 1876, Washburn Papers.  
<sup>217</sup> John F. Trow, New York City Directory, LXXXIV (New York, 1871), 867. Hottingner and Company, Paris, and Hope and Company of Amsterdam were other foreign agents of Morton, Bliss and Company.

newspapers and magazines; of the successful construction and operation of the Minneapolis Mill Company, holders of the water power rights on the west side of the river, and of the Washburn flouring mills not to mention his military, congressional, or gubernatorial careers. Such a record was highly prized by the New York syndicates, for ultimately the bonds were sold to investors. The fact that the charter rights of the road extended to the coal fields of Iowa increased the desirability of the bonds for investment and speculation by security holders or rail builders of connecting lines. Fred K. Butterfield, of 476 Broom Street, New York City, an importer and capitalist,<sup>218</sup> became a large owner as well as a quasi-broker of the bonds. Butterfield was also greatly interested in Iowa roads which connected with the Washburn line.<sup>219</sup> John I. Blair, large stockholder in numerous western lines including the Burlington, Cedar Rapids and Northern, likewise became a large owner of the mortgage bonds when his company guaranteed a portion of the bonds of the extension southeast of Albert Lea.<sup>220</sup> The purchase of the bonds by Blair, later a large owner in the Chicago and Northwestern, gave him a great leverage in the attempted purchase of the Minneapolis and St. Louis in 1881.

Large New York brokerage houses made a strong bid for

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- 218 Woodman to George Woodman, November 26, 1878, Woodman Papers.  
 219 George Woodman to Woodman, November 9, 1878, Woodman Papers.  
 220 Weekly Pioneer Press, January 1, 1875; St. Paul Weekly Press, April 1, 1875. The Burlington guaranteed principal and interest on \$150,000 of the Albert Lea-State Line division of the Washburn road.

the Minneapolis and St. Louis bond issues. George Woodman, brother of Cyrus Woodman, made an attempt to syndicate the issues of the Fort Dodge extension but was unable to make a suitable bid. Cyrus Woodman hoped to further the business by informing Washburn of his intention to buy a large block should his brother George get the issue.<sup>221</sup> Morton, Bliss and Company, of 30 Broad Street, became the successful bidder for the Albert Lea division. The syndicate, with London connections in Morton, Rose and Company, paid 80 cents for the second division bonds taking \$750,000 of the \$950,000 issue<sup>222</sup> and the stock exchange soon after quoted them at 86. Scarcely a year after the syndicate bought the issue, the bonds jumped to par,<sup>223</sup> due to negotiations for the sale of the road, netting all holders a neat profit. Washburn retained a large block of the bonds but sold Woodman ten thousand at 85 informing his friend that the price would soon reach 110.<sup>224</sup> Washburn realized fifteen points on the sale as the company allowed incorporators to take up to one fifth of an issue at seventy.<sup>225</sup> The Fort Dodge extension involved the floating of an issue to the amount of \$1,000,000 which the same New York company purchased.<sup>226</sup> The security called for the entire road to be

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- 221 Woodman to Washburn, January 31, 1879; Woodman to George Woodman, February 2, 1879; George Woodman to Woodman, May 26, 1879; June 6, 1879. Woodman Papers.
- 222 Woodman to George Woodman, February 2, 1879; Washburn to Woodman, April 3, 1879, Woodman Papers.
- 223 George Woodman to Woodman, December 31, 1880, Woodman Papers.
- 224 Washburn to Woodman, January 18, 1881, Woodman Papers.
- 225 Ibid., March 24, 1871.
- 226 George Woodman to Woodman, June 6, 1879, Woodman Papers.

bonded at the rate of \$10,000 per mile, the older parts carry-  
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 ing the issue as a second mortgage. The capital investment  
 now included a bonded debt of \$2,900,818.49, the majority of  
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 which the New York concern floated. The second mortgage  
 bonds, which Washburn expected to sell at 85, were not issued  
 until January 1881. By the first of 1881, a few weeks before  
 Washburn disposed of his interests, the corporation completed  
 the coal line extension south of Fort Dodge and issued six  
 million dollars on it. The trust agreement to secure the  
 series, made between the Minneapolis and St. Louis and the  
 Central Trust Company of New York, was received only a few  
 229  
 weeks before the disposal of the Washburn Stock. Washburn  
 delayed syndicating them until after negotiations for the sale  
 were completed.

Outside of the purchase of bonds by bankers for his  
 personal account, Washburn's effort to interest Boston capital-  
 ists in the road proved futile. Washburn approached Woodman,

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George Woodman to Woodman, May 26, 1879, Woodman Papers.

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"R.R. Report, June 30, 1880," in Minn.Ex.Doc., 1881, 2:842.

The bonded debt of the road now stood as follows:

7% (gold) First Mortgage bond due January 1, 1907	\$455,000.00
Minneapolis to Merriman Junction	
7% (gold) First mortgage bond due February 1, 1927	950,000.00
7% (gold) First mortgage bond due June 1, 1907	495,818.49
Fort Dodge	
Floating Debt . . . . .	1,000,000.00
7% (gold) First mortgage bond due 1911	400,000.00
Minneapolis and Duluth Railroad	
	\$3,300,818.49

For the bonded indebtedness of the Minneapolis and Duluth,  
 see the "R.R. Report, August 31, 1871," in Minn.Ex.Doc., 1872,  
 2:40, 52.

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Railway Age, January 13, 1881; Pioneer Press, January 11,  
 1881.

who was connected with Boston railroad financial circles, to act as a liaison agent for him and the capitalistic interests but he was unsuccessful. In the early 1870's, Boston had a waiting line of applicants for financial aid in rail construction whom capitalists refused to see unless their projects proved highly valuable as connecting lines, or the incorporators willingly turned over complete stock control.<sup>230</sup> Washburn tried to convince Woodman, and through him the interests, that this road was "different", picturing the bonds "as good for an investment as a like bond on the Boston and Albany;" but it was of little avail. Reduction of the bonding limit from \$17,000 to \$16,000 a mile, and the investment by the Washburn family of \$200,000 in the project attracted little attention in Boston.<sup>231</sup> Boston circles wanted either outright control, or the pledging of rail bonds as security at fifty cents on the dollar<sup>232</sup> which Washburn earlier refused to do<sup>233</sup> despite Woodman's insistence that only under such conditions could money be raised for rail construction. Iowa roads had pledged securities in Boston to secure capital on those terms,<sup>234</sup> but Iowa roads lost control of their corporations in the panic of 1873 and Boston investors received

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<sup>230</sup>Woodman to Washburn, October 10, 1870, Woodman Papers.

<sup>231</sup>Washburn to Woodman, November 30, 1870, Woodman Papers.

<sup>232</sup>Woodman to Washburn, December 2, 1870, Woodman Papers.

<sup>233</sup>Washburn to Woodman, November 30, 1870, Woodman Papers.

<sup>234</sup>Woodman to Washburn, December 2, 1870, Woodman Papers.

good roads at a cheap price. However, by pledging some of the rail bonds as collateral Washburn did succeed in raising some money for personal use.

While Washburn disposed of the rail bonds in the East and in Europe, and made effort to diffuse them as much as possible, he concerned himself with keeping control of the capital stock. To this end he carefully guarded the shares by parcelling out, among the millers and lumbermen, only a sufficient amount to keep them satisfied. And these were so favorably placed that the investors readily gave up the certificates in return for a like amount of Minneapolis city bonds. The amount of the first issue of authorized stock was only \$92,000, but it was sufficiently scattered among Minneapolis investors that \$40,000, which he, W. D. Washburn, and D. Morrison owned, gave them control. But as there was always the possibility that some person might secure the odd shares, he never rested until a suitable amount lay in his hands. And to this end he pursued all courses. A block fell to him when W. D. Washburn assigned him all interest to pay off creditors in 1873. He also gradually accumulated odd

<sup>235</sup> Washburn to Woodman, November 14, 1880, Woodman Papers.

<sup>236</sup> Washburn to Woodman, November 30, 1870; February 10, 1874, Woodman Papers.

<sup>237</sup> Woodman to Washburn, March 24, 1871, Woodman Papers.

<sup>238</sup> Ibid., E.B. Washburne to Washburn, November 21, 1874; December 29, 1874, Washburn Papers.

certificates. He religiously begged Woodman to become a  
 shareholder with him in the road <sup>239</sup> hoping to gain Bostonian  
 financial aid and his assistance in the control of the rail-  
 way, but the conservative Boston capitalist consistently re-  
 fused. Minister E.B. Washburne pledged personal securities,  
 described as "bread and butter reserve," in return for the  
 assignment of insurance policies on the flouring mills, thus  
 aiding Washburn in the realization of absolute control. <sup>240</sup> Yet,  
 despite the security, the minister feared the bankruptcy of  
 Washburn as the number of bankrupt firms grew. New York  
 brokers characterized the Minneapolis and St. Louis as a  
 "one-horse affair" and designated the state as one "with too  
 many railroads." <sup>241</sup> This, of course, when published, increased  
 the burden of securing funds in New York.

When Washburn sought pecuniary aid from Woodman he did  
 so with the expressed purpose of arranging for the disposal  
 of bonds and as a means of retaining control of the road. By  
 By operating through Boston, Washburn hoped to more easily  
 garner the odd shares of stock on the exchange by making a  
 bid through Woodman with the expectation of getting an offer.

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<sup>239</sup>Washburn to Woodman, March 24, 1871, Woodman Papers.

<sup>240</sup>E.B. Washburne to Washburn, November 21, 1874; December 29,  
 1874, Washburn Papers.

<sup>241</sup>Ibid., June 28, 1877.

Although the investment in the capital stock of the company appealed to Washburn, it did not have the same response from Woodman. The latter was guided by J. W. Brooks, of the Burlington and Missouri River Railroad in Nebraska, for whom he served as construction superintendent when the road was constructed. Brooks saw only financial failure for the infant road, believing that southern Minnesota was well supplied with railroads and that Minneapolis was greatly overrated.<sup>242</sup> Acting on the advice of this person whom he considered as having a superior knowledge on rail questions, Woodman refused to invest in the Minneapolis and St. Louis, although he later bought heavily of the rail bonds.

The terms of the original offer were attractive. Washburn asked that Woodman invest \$10,000 in the capital stock of the road which would give five persons, two of whom were Washburns, control of the road. With the purchase of stock went the provision of purchasing bonds of the company at 70 cents up to one fifth of the total issue, which in 1871, amounted to \$476,000. The purchaser could dispose of the bonds at any price but presumably they would not be offered lower than the purchase price or contracted to one individual. Such stipulations assured control of the road should the bonds go into default, since widespread issues would not allow for such concentrated efforts at the court. Together with the

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<sup>242</sup>J.W. Brooks to Woodman, March 31, 1871, Woodman Papers.

stock and bond privileges, Washburn informed Woodman that partnership in the company entailed finding a purchaser for all unallotted bonds. Washburn agreed to a reduction in rate of issue from \$17,000 per mile to \$16,000 as a means to attract his former partner, but Woodman could not be easily led and disapproved of the plan. Any attempts to secure aid from Bostonian rail capitalists failed.<sup>243</sup> Woodman openly expressed that only financial backing by eastern moneyed interests could ever build and maintain a railroad in that section of the country,<sup>244</sup> and that the carrying charges and interests payment, beyond the capacity of the road to pay,<sup>245</sup> would spell only bankruptcy.

Woodman did turn to Minneapolis bonds as a private investment but never invested in the capital stock. After the completion of the Albert Lea division, when the Minneapolis and St. Louis had weathered the panic of 1873 and quotations on the New York stock were high, he turned to purchase some bonds only to find that the original offering price had jumped to 90 cents netting a little less than eight per cent.<sup>246</sup> By that time the earnings were then in excess of the charges and that greatly accelerated the demand for the bonds. All bond

<sup>243</sup>Washburn to Woodman, March 24, 1871, Woodman Papers.

<sup>244</sup>Woodman to Washburn, April 21, 1870, Woodman Papers.

<sup>245</sup>Ibid., March 30, 1871; Washburn to Woodman, April 9, 1871, Woodman Papers.

<sup>246</sup>Washburn to Woodman, December 5, 1877; December 12, 1877, Woodman Papers.

prices moved upward. Minneapolis city bonds reached par,<sup>247</sup> and such a feeling of optimism pervaded the security market that money for extension purposes was readily secured for the Fort Dodge division of 1878.

The years 1873 and 1874 were difficult ones for railroads. The failure of the Cooke concern had repercussions in Minnesota. Only four miles of road were constructed. The stocks of the Milwaukee and St. Paul, Chicago and Northwestern, Chicago and Rock Island, Chicago, Burlington and Quincy, all of which operated in the Minnesota area, dropped from ten to sixty points within a month of that fateful September day in<sup>248</sup> 1873. The St. Paul and Pacific defaulted which only temporarily influenced Washburn's foreign bond sales. The Milwaukee and St. Paul reorganized and evolved as the Chicago, Milwaukee and St. Paul.<sup>249</sup> The Northwestern suffered similarly but retained its own name. In January 1874, financial experts set the sum of defaulted rail securities in the United States at<sup>250</sup> \$386,483,668 most of them bonds of large western roads.

<sup>247</sup> Pioneer Press, September 14, 1877.

<sup>248</sup> The American Annual Cyclopeda and Register of Important Events of the Year 1873 (New York, 1879), 13: 286-290.

<sup>249</sup> On February 7, 1874, by a vote of the stockholders, the name of the corporation was changed to the Chicago, Milwaukee and St. Paul Railway Company. The two main units making up the new company were the Chicago and Milwaukee, and the Milwaukee and St. Paul. The same stockholders owned both lines. Paul T. Warner, "The Chicago, Milwaukee, St. Paul and Pacific Railroad," in Baldwin Locomotives, 9 (October, 1930): 3-29; 9 (January, 1931): 31-55.

<sup>250</sup> The American Annual Cyclopeda 1874 (New York, 1883), 14: 305.

The number and amount of defaults had a severe effect on the sale of issues. In the New York market it was almost impossible to place any new bonds; in London, however, a very considerable amount of bonds was placed, but these were almost invariably the bonds of the soundest and oldest railroad corporations whose financial standing was above reproach.<sup>251</sup> However, in the latter part of 1874 the best class of rail bonds advanced steadily in New York, and gave evidence of a renewed demand for that type of investments among American purchasers.<sup>252</sup> The same Minnesota area roads gained ten to thirty points over the panic low of October and November, 1873.<sup>253</sup> The roads which withstood the effects of the collapse in 1874 did so by fresh loans and high rates. Such roads felt the pressure of reorganization as greatly as those which suffered by defaulting on interest payments. But as money conditions improved eastern capitalists regarded roads which were in good standing, and there were many of them, as the safest place to employ surplus funds. However, as few companies put down new roads, there was little or no sale of new bonds. London still continued to advance sums to the large and established corporations who had her esteem, but Germany and Holland remained quite aloof to American investments.<sup>254</sup> The Minneapolis

<sup>251</sup> Op. cit.; W.D. Washburn to Washburn, April 28, 1876, Washburn Papers.

<sup>252</sup> American Annual Cyclopedia 1874, 14: 305.

<sup>253</sup> Ibid., 14: 307.

<sup>254</sup> Ibid., 1875 (New York, 1883), 15: 668; W.D. Washburn to Washburn, April 28, 1876, Washburn Papers.

and St. Louis bonds, by paying interest and by Washburn giving careful attention to Dutch bondholders, led to the development of a greater market in the Netherlands. The revenues from the Minneapolis-Carver division, however, remained small while operating expenses grew steadily. This situation, along with the money market, forced Washburn to give up all thoughts of completing the Albert Lea division, and obligated him to turn his sole attention to protecting his investments.

Commercial firms likewise felt the effects of the Cooke failure. Dunn and Barlow's reports gave the number of failures in 1873 as 5,183 involving \$228,499,000 and in 1874 at 5,830 but involving only \$155,239,000. The decrease in liabilities for the latter year was assignable to the unusual number of failures of large houses, thus raising the average. The volume of business had so greatly diminished in 1874 that when failures did occur the liabilities were necessarily smaller. Minnesota recorded sixty with liabilities at \$1,020,000.<sup>255</sup> Meanwhile W. D. Washburn, who had been expanding beyond capacity to liquidate, demanded financial assistance. In 1857 he accepted the position of agent for the Minneapolis Mill Company and subsequently invested recklessly in land, milling, and timber enterprises apparently attempting to rival his brother's rapid rise to financial leadership and independence. However, over-expansion caught up with him and in the

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<sup>255</sup>American Annual Cyclopedia 1874, 14: 307.

panic years he was unable to meet interest charges. Creditors began to press him. Washburn, to avoid the distastes of bankruptcy in the family and to save the railroad for himself, took an assignment of all of W.D. Washburn's interests and arranged for suitable payments. W. D. Washburn's milling interest went to Leonard Day and Company. The rail and power stocks Washburn himself held to greater insure management in these enterprises. But while the liquidation took place W. D. Washburn, salvaging sufficient funds, joined Minister E. B. Washburne and toured Europe stopping long enough in London to make contacts with P. P. Morgan and Company for the sale of the bonds of the proposed Albert Lea Division.

In the seventies railroads in Minnesota generally became points of attack by discontented farmers who found low wheat prices, low rates, and bad seasons in parts of the state discouraging, but who discovered Kelly's Grange organization as a sanctuary for economic discussion. In November 1870, malcontents met at Owatonna to consider freight and freight traffic. In the list of grievances drawn up, they decided railways were ruining the state by high rates, "invidious distinction" between communities with and without rails, and by the operation of certain lines in the interests of "wheat rings" which defeated competition in the purchase and

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<sup>256</sup>W.D. Washburn to Washburn, April 28, 1876, Washburn Papers.

after listing the grievances they appealed to the legislature to enact laws which would protect the producers against such "extortion and combinations" ruining the farmers and sapping the foundation of the prosperity of the state. Rail corporations and builders argued competition furnished a more suitable way to alleviate the growers plight. When the legislature met in 1871 the governor recommended and the legislature passed a law which refuted the argument that competition was the only remedy needed. The law set down the maximum rates for carrying all freight and passengers on Minnesota roads.

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<sup>257</sup> American Annual Cyclopedia 1870 (New York, 1871), 10: 510.

- <sup>258</sup> The act passed March 6, 1871 designated five classes of freight and set the maximum rate for each as follows:
1. All grains, potatoes, flour, meal, beef, pork, and meats of all kinds:
    - 6 cts. per ton per mile for first 20 miles or less.
    - 5 " " " " " " exceeding " " and not more than 50.
    - 4 cts. per ton per mile for first 50 miles and not more than 100.
    - 3½ cts. per ton per mile for first 100 miles.
  - Less than carload lots the company may demand and receive 20% increase over the above rates.
  2. Lumber, coal, salt.
    - \$10 per carload for any distance not exceeding 20 miles and in addition thereto,
    - 18 cts. per carload per mile for any distance beyond 20 miles but not exceeding 50 miles.
    - 13 cts. per carload per mile for any distance beyond 50 miles but not exceeding 100 miles.
    - 11 cts. per carload per mile for any distance beyond 100 miles.
    - Less than carload lots 20% increase. Carload taken as 20,000 lbs. weight.
  3. Dry goods and other merchandise.
    - 25% increase of class one.
  4. Sugar in barrels and other articles of merchandise.
    - Same as class one.

(Footnote continued to next page)

Railroads violated the law on the alleged supposition that it interfered with their vested rights. The law gave the railroad commissioner no power to commence suits for violating the law, but called upon the district attorneys of the counties to act. This caused a bogging down of the enforcement. However, as a test case the Winona and St. Peter refused to turn over property carried and the owner sued. The road won in April 1872, but the Supreme Court of Minnesota, in May 1873, reversed the Judgment of the lower court. The State Supreme Court decided any use the road made of its property was entirely subject to legislative control. The case was then appealed to the United States Supreme Court and became one of the Minnesota rate cases.

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258 (Continued).  
5. Wood.

\$9 per carload for any distance not exceeding 35 miles.  
18 cts. per carload per mile beyond 35 and not exceeding 60 miles.

13 cts. per carload per mile beyond 60, provided a carload shall not be less than 6 cords.

Passenger rates set at 5 cts. per mile. "An Act to regulate the carrying of freight and passengers on all railroads in this State," in General Laws of the State of Minnesota, Passed During the Thirteenth Session of the State Legislature (St. Paul, 1871), Chapter 24.

259 American Annual Cyclopedia 1873, 13:511-13.

260 "R.R. Report, August 31, 1873," in Minnesota Executive Documents, 1873, 2:75.

261 American Annual Cyclopedia 1873, 13: 511-13.

262 "R.R. Report, August 31, 1873," in Minnesota Executive Documents, 1873, 2: 372.

The 1871 legislature placed a curb on the activities of the Minneapolis and St. Louis. Already the states had acted to check any excessive rates by incorporating in the special law reviving the Minnesota Western charter that all rates should be just and reasonable. Such a charter clause had made possible the suit against the Winona and St. Peter. Now, when the Minneapolis and St. Louis sought the privilege of leasing, or procuring a lease, and of bonding the road in preparation to build the first division, the legislature inserted in the law a clause that all freight should be transported between stations at rates "not exceeding the lowest rates charged and collected on any portion of its line of railway for corresponding distances, which rates shall not exceed the lowest average rates of railways of this state for the same distances. . . ." In keeping with the Owatonna resolutions, the legislature further limited the road by including a clause calling for "no discrimination of preference in favor of or against any locality, person or connecting road." But as was true with other roads, little attention was paid to charter provisions. The cry of the railroads that any legislative action destroyed vested interests kept any

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An act to amend an act entitled "An Act to amend an act to incorporate the Minnesota Western Railroad Company, approved March third (3d) one thousand eight hundred and fifty-three (1853), and the acts amendatory thereof," approved February fourth (4th), one thousand eight hundred and seventy," in Special Laws of Minnesota, 13th Session (St. Paul, 1871 ?), chapter 71. The act was passed February 25, 1871.

such act from fruition, at least until after the United States Supreme Court decision.

However, things did not stand still. In July 1873, the Conservative Republicans nominated W. D. Washburn, who sat in the legislature in 1871, as governor and decreed all interests should have cheap rates but that rail capital should be permitted reasonable remuneration. Such was definitely favorable to rails. In September, the Democrats and Liberal Republicans took the stand that the people had not forfeited the right to control rates.<sup>264</sup> They were supported by the railroad commissioner who steadfastly maintained, as did Charles Francis Adams, of Massachusetts, that interference was allowable.<sup>265</sup> In August 1873, the Union Republican convention of Wisconsin nominated C. C. Washburn for governor. The resolutions followed those of Minnesota Republicans in declaring for cheap transportation but a fair return on the capital of the invested road capital.<sup>266</sup> The unrest in the West and Northwest reached Congress and the House, in February 1874, passed a resolution asserting the constitutional powers of Congress to regulate commerce between states as to protect people from oppressive tolls, taxations, and obstructions by common carriers.<sup>267</sup> And when the elections of 1873 in the West

<sup>264</sup>American Annual Cyclopedia 1873, 13: 510-11.

<sup>265</sup>"R.R. Report, August 31, 1873," in Minnesota Executive Documents, 1873, 2:105-6.

<sup>266</sup>Op.cit., 14: 774.

<sup>267</sup>"Editor's Historical Record," in Harper's Magazine, 48(1873-1874): 759-762.

generally went to the Grangers, the Nation sarcastically said that "we hope, now that they have come into power in so many states, they will explain what they mean to do with it."<sup>268</sup>

The general unrest in Minnesota had great effect upon financing railroads. The dissatisfaction coincided largely with the panic of 1873 which in itself contributed to the decrease in the bond market. Prior to September, 1873, it was easy for almost any rail corporation with decent credit to effect loans in Europe. But the agitation in the West against rails, the threat of hostile legislation, and predetermined decisions of the courts shook the confidence of European capitalists so that they curtailed their loans to America.<sup>269</sup> When the United States Supreme Court handed down the decision supporting the right of the state legislatures to control the rates of railroads, the bond market reflected the uneasiness of speculators. Foreign holders began to sell, and such brought further discredit to American bonds.<sup>270</sup> It was little wonder that W. D. Washburn frantically wrote Washburn of Morgan's dislike for western rail bonds, and the faithful Pioneer Press admonished Donnelly for attacks on railroads.<sup>271</sup>

<sup>268</sup>"The Week," in The Nation, 17(1873): 330.

<sup>269</sup>"The Week in Trade and Finance," in The Nation 17(1873): 216.

<sup>270</sup>"Notes On the Money Market," in Banker's Magazine 31(1876-1877):811-16.

<sup>271</sup>For an account of Donnelly, see John D. Hicks, "The Political Career of Ignatius Donnelly," in The Mississippi Valley Historical Review 8(1921-1922): 80-132.

In the wake of the depression came a locust invasion which greatly damaged the wheat crop. The insects came from the Rocky Mountains and, settling upon thriving fields, devoured every vestige of vegetation within a few hours. Farmers were helpless against such destruction; and the state paid huge bounties for elimination of the pest. Some fifty-six thousand bushels of the insects were captured and turned over to the state. In 1875, Governor Pillsbury secured a conference of governors for the control of the insect.<sup>272</sup> Wheat destruction lowered the revenues from transportation. The situation looked dark for Washburn. It appeared that the Minneapolis and St. Louis would default, and the infant enterprise, which he believed one day would be the chief north and south flour route, would fall into foreign hands.

The contingencies of 1873 and 1874 demanded of Washburn all the attention he could give. A half finished railroad, a large mill with others in plans, a brother near bankruptcy, and large timber holdings from which the sale of the finished product called for little sale required no small measure of financial assistance from any source he could find. Already, when railroads defaulted and mercantile houses failed, Van Steenwyck, of the Batavian Bank at LaCrosse, refused him credit and demanded payment on loans.<sup>273</sup> The drying up of this almost

<sup>272</sup>American Annual Cyclopedia 1876 (New York, 1883), 16: 558.

<sup>273</sup>Woodman to Washburn, November 14, 1874, Woodman Papers.

certain source of financial aid sent Washburn seeking funds in the East. He turned to Woodman and commissioned him to obtain any sum of money at the hitherto unprecedented interest rate of 24%, only to find it quite impossible. Woodman wrote discouragingly that money at such rate could not be secured, and neither was it available at that same interest when "two such distinguished names" were attached to the note. Iron-clad securities, selling at ninety on the market, went begging for loans with bankers who formerly advanced sums twice the amount on half the security. Persistently beseeching Woodman, Washburn once more sent him around Boston with instructions to pledge almost anything as security including bonds of the Minneapolis-Carver division. George Ward, the treasurer of the Chicago, Burlington and Quincy, could furnish neither a sum of money nor the information as to where to find it. Even Hubbard Brothers, who had in early days loaned money to both men declared it an utter impossibility to raise \$15,000 on the signatures of both men and Woodman's Burlington bonds of a like amount. Woodman could only request Washburn to come East. When a personal visit to New York netted nothing, Washburn turned to Boston. So desperate was he that Woodman loaned him \$12,000 par value Burlington bonds (exchange value of about \$10,000) with the understanding that they be return-

<sup>274</sup>Op. cit., October 29, 1873.

<sup>275</sup>Ibid., November 10, 1873.

ed in six months <sup>276</sup> with interest at the rate of 10% per  
<sup>277</sup> annum payable semi-annually.

But the sums advanced by Woodman were insufficient and Washburn turned to members of his own family. Charles Stephenson, brother-in-law, gave him small pecuniary aid by turning over some government securities upon which he negotiated a small loan, but the former, in a letter to Woodman, showed great concern over the financial position of his relative as well as the straightened circumstances of Minneapolis. Even the conservative Corwiths, Stephenson recorded, hard hit by the New York catastrophe and forced to retrench, refused him credit. <sup>278</sup> Greater aid came from E.B. Washburne, who ordered George Woodman, his New York banker, to sell securities to raise \$20,000 and in return accept a mortgage on the mill and other valuable property. <sup>279</sup> E. B. Washburne deplored the fact that his brother's financial <sup>280</sup> status was largely due to the failure of W. D. Washburn, and

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<sup>276</sup> Op. cit., November 17, 1873.

<sup>277</sup> Ibid., November 14, 1874. The loan was not repaid until the spring of 1882.

<sup>278</sup> C.L. Stephenson to Woodman, December 13, 1873, Woodman Papers.

<sup>279</sup> E.B. Washburne to Washburn, December 29, 1874; January 27, 1875; February 16, 1875, Washburn Papers; E.B. Washburne to Woodman, January 27, 1875, Woodman Papers.

<sup>280</sup> E.B. Washburne to Washburn, December 29, 1874; January 27, 1875, Washburn Papers.

the railroad which he characterized, after a description by  
<sup>281</sup>  
 Fisk, of the New York, who disapproved the project, as a  
<sup>282</sup>  
 "one horse affair" in a state "with too many railroads."

From Jeanette Washburn Kelsey, daughter of Washburn, came  
 hints of laxity in the management of the railroad. Washburn  
 had established a large trust fund for her of which \$36,000  
 was in rail bonds. In 1876, when the road did not promptly  
 meet the interest upon the first presentation of the coupons,  
 and they were presented before due, Washburn's daughter, in  
 a letter to Woodman who held other funds in trust, attacked  
 him for slighting the affairs of the company for things more  
 personal. There was little doubt in her mind that the two  
 Washburns purposefully neglected the interest on the bonds  
 and that the earnings, even during the panic and the locust  
 invasion, were ample to pay all costs.  
<sup>283</sup>  
 Behind the attack  
 lay not facts but the personal enmity between father and

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<sup>281</sup>Harvey Fisk, of the banking concern Fisk and Hatch. The  
 announcement of the inability of Fisk and Hatch, conserv-  
 ative banking house, to respond on call loans was greeted  
 as the precursor of a general crash, for they were con-  
 sidered one of the soundest houses in New York City. The  
 house handled only high grade bonds of solvent corporations.  
 The more conservative investors relied on their judgment,  
 and Fisk viewed the Washburn road from the standpoint of  
 an extremely conservative banker. "The Week in Trade  
 Finance," in The Nation, 17(1873): 216.

<sup>282</sup>E.B. Washburne to Washburn, June 28, 1877, Washburn Papers.

<sup>283</sup>Jeanette Kelsey to Woodman, January 10, 1876; Washburn to  
 Woodman, March 29, 1880, Woodman Papers.

daughter, and father-in-law and son-in-law, dating from the marriage, and more specifically the senatorial year of 1875.

The gross receipts of the road, however, never reached the estimates anticipated by Washburn. <sup>284</sup> Although the earnings in the first years of the road's history exceeded the operating costs by a healthy margin, the interest on the funded and unfunded debt and the purchase of new equipment forced the road to increase the bills payable to meet all interest charges. <sup>285</sup>

Washburn did encounter some difficulty in payment of certain

<sup>284</sup> In 1878 he wrote Woodman that they would reach \$500,000. In 1880 he estimated them at \$1,200,000. Washburn to Woodman, June 2, 1878; November 14, 1880, Woodman Papers. The following are taken from the reports made to the commissioners.

Year	Earnings	Operating Expenses	Interest
1872	\$ 31,855.58	\$ 71,628.17	
1873(Jul-Nov.)	20,094.74		
1874(Jan-Jun.)	45,013.95		
1875(June 30 )	126,269.92	101,180.07	\$ 51,629.39
1876	141,360.85	108,934.30	53,870.48
1877	136,644.18	99,406.80	57,200.94
1878	359,850.55	241,938.98	109,550.00
1879	393,649.02	249,266.58	113,750.00
1880	582,463.27	339,930.86	152,950.00
1881	873,999.88	850,341.79	218,470.00

"R.R. Report, August 31, 1873; June 30, 1874; June 30, 1875; June 30, 1876; June 30, 1877; June 30, 1878; June 30, 1879; June 30, 1880; June 30, 1881," In Minnesota Executive Documents, 1873, 2:360; 1874, 1:13,22; 54-66; 1875, 2:13, 175-77; 1876, 2:673; 1877, 2:396; 1878, 578; 1879, 91; 1880, 2:845; 1881, 62.

<sup>285</sup> Washburn to Woodman, November 19, 1874, Woodman Papers.

interest coupons but they were never long overdue. However, after the completion of the Albert Lea extension in November 1877, and the Fort Dodge section in June 1880, the road earned well in excess of operating costs and interest charges. Interest was then promptly paid. New bond issues sold at substantial prices. The security was considered better than many established rail companies.<sup>286</sup> The prospects for a rise in price brought many buyers, and New York brokers had difficulty in filling orders.<sup>287</sup> Washburn became jubilant, and expressed the hope that his old friend Woodman might enjoy a profit from a transaction in them.<sup>288</sup> The rail incorporators profitted from either the purchase of rail bonds at 75 and disposing of them at exchange prices; or by the holding of bonus bonds, bearing a satisfactory interest rate, voted by localities.<sup>289</sup> The satisfactory earnings, however, made a sale of the Minneapolis and St. Louis more possible.

The location of the road, in addition to the suitable earnings of the latter years, added its worth. The line from Minneapolis to the state line and Iowa coal fields, with suitable leases and extensive trackage privileges in the city,

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<sup>286</sup> George Woodman to Woodman, September 27, 1878; January 13, 1879, Woodman Papers.

<sup>287</sup> Ibid., October 21, 1878; October 29, 1878.

<sup>288</sup> Washburn to Woodman, December 12, 1877; December 5, 1877; January 17, 1881, Woodman Papers.

<sup>289</sup> Ibid., March 24, 1871.

offered any Chicago pool line road that could secure it an admirable opportunity to enter and compete in the flour mill and wheat districts of the state. Already the Burlington, Cedar Rapids and Northern, under Minneapolis and St. Louis supervision, ran into Minneapolis and drew heavy flour shipments to Chicago. Other competing lines, notably the Chicago, Milwaukee and St. Paul and the Chicago, Minneapolis, St. Paul and Omaha, depended almost entirely on the Minneapolis and St. Louis' willingness to pull cars into the district. This, of course, was never done until Burlington trains were loaded. Yet despite the control, the other roads, primarily because Washburn desired to retain the friendship of the millers, carried heavy traffic from the state. But any Chicago line would gladly take over the Washburn road, for, after so doing, it could desert the pool arrangement between Chicago and the two Minnesota cities and have a monopoly on flour transportation to Chicago and Milwaukee. In addition, Washburn firmly believed the Fort Dodge extension made the road much more valuable. <sup>290</sup>

Washburn appraised well the situation. From the tactics of pool line stockholders in the recent St. Paul and Duluth purchase, he observed that by only a clever piece of financing could he perpetually hold the road. The pool lines might accumulate a sufficient amount of stock to force a sale or consolidation, or secure enough bonds so that, when a day's

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<sup>290</sup>Op. cit., November 19, 1874.

delay in interest payment occurred, they could seek court action forcing the road into bankruptcy and purchase it at a foreclosure sale. Such tactics were not infrequently practiced, and Washburn knew by 1880 the widely distributed capital stock and mortgage bonds, mostly in unfriendly hands because of railroad jealousy of Minneapolis trackage privileges, made such possible. The distribution, also, led to the impossibility of dictating the road's policy.

By the first part of the 1880's the attitude of the millers toward the railroads began to change. Railroads had expanded widely and had accumulated enormous banking reserves and surpluses. Flour manufacturers, still dependent on cheap rail transportation of both flour and wheat, now felt that cooperation rather than competition offered the better way of achieving the desired rates until that time when national regulation rather than state regulation, advocated by the Millers National Association, became effective. Washburn, at the time of St. Paul and Duluth transfer of title, made peace with the Milwaukee and St. Paul, an indication that he expected great changes in the future. Other millers similarly became less antagonistic although it is certain they had reason to adopt an intractable attitude toward the rail corporation. This undercurrent of unrest and the transition to a new type of control of roads led the owners of the Minneapolis and Duluth road to doubt their ability to remain aloof. By then,

Washburn had the road a paying proposition and, believing a sale advisable, entertained invitations for disposal.

Several indications marked the beginning of negotiations. In January 1879, the Minneapolis and St. Louis with its southern connecting line, the Burlington, Cedar Rapids and Northern, joined with several Chicago pool lines, including the Chicago and Milwaukee to St. Paul or Minneapolis.<sup>291</sup> Peace had been made with the Milwaukee road and all intentions of rivalry between the two roads had been publicly squelched. By the end of 1880, Minneapolis and St. Louis bondholders demanded par for the first mortgage bonds and were reluctant even then to release them.<sup>292</sup> To his friend, Woodman, Washburn sold a block of \$10,000 for \$8,500 as a personal favor and took pains to inform him that he expected these bonds to be worth \$110 in ninety days.<sup>293</sup> Rumors spread among the business interests of Minneapolis that the road was for sale when Washburn left hurriedly for New York shortly after the first of the year and when the Northwestern began conference with millers.<sup>294</sup> Secret communication with the latter corporation had evidently

<sup>291</sup>Pioneer Press, January 3, 1879.

<sup>292</sup>George Woodman to Woodman, December 31, 1880, Woodman Papers.

<sup>293</sup>Washburn to Woodman, January 17, 1881, Woodman Papers.

<sup>294</sup>Pioneer Press, January 25, 1881.

been going on for some months as indicated by the market's action, and reports in Wall Street.<sup>295</sup> By acquisition of the Minneapolis and St. Louis, the Northwestern stood to gain the highly prized terminal facilities and trackage rights. No more valuable a purchase could be made, and all roads became envious of the position of the Chicago and Northwestern.

Minneapolis and Minnesota greeted the proposed sale with both joy and alarm. Minneapolis business men saw, in the connection of the road with the Northwestern at New Ulm, the vast region to the southwest traversed by that corporation opened to them for exploitation, and foresaw a great increase in population of the city. Leading citizens appeared on the streets of Minneapolis with petitions which they circulated among the lumbermen, millers, and wholesalers for signature, praying the Minneapolis and St. Louis would favorably entertain the proposition. The Northwestern aided the petition by agreeing to maintain the terminal point in the city thereby<sup>296</sup> keeping intact the business advantage accruing therefrom. Some people of Minneapolis, however, did not view the sale in the same degree of enthusiasm. T.B. Walker, of the firm Camp and Walker, and a signer of the petition, claimed it was misrepresented to him. He understood that the paper dealt not

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<sup>295</sup>Op. cit., January 28, 1881.

<sup>296</sup>Ibid., January 25, 1881.

with approval of sale but rather the approval for bringing the Northwestern into the city over the Minneapolis and St. Louis tracks and giving the former corporation the benefit of the terminal facilities of the Washburn road. <sup>297</sup> W.D.

Washburn, president of the road, registered opposition to the sale to one of the Chicago pools on the grounds that it would be against the best interests of the whole state to let the road pass into hands friendly to Chicago and Milwaukee. Other people prominent in the state joined President Washburn in claiming the sale was a violation of the faith of the city of Minneapolis which had given \$350,000 in aid to the construction of the line "on the distinct understanding that the road was to be kept, if possible, under the control of citizens of Minneapolis, and to be operated, as far as practicable, in the interests of the city." Several towns, likewise, had voted aid for the construction of the road with the same understanding. Growing sentiment against the sale led citizens to believe that the consummation of the project destroyed the possibility of building up at the Twin Cities an independent commercial station, but that it would make them way stations "on a great trunk line to Chicago, held in the embrace of the great pool lines as with an iron grasp." The millers intimat-

ed the sale would rob the mills of wheat and merchants of  
<sup>298</sup>  
wholesale business.

<sup>297</sup> Op. cit., January 30, 1881.

<sup>298</sup> Ibid., January 29, 1881; Railway Age, February 3, 1881.

The anticipated sale to the Northwestern brought public support and criticism upon the two Washburns. Because of the attack on Washburn for the sale of the road to foreign interests, the Pioneer Press editorially acclaimed W. D. Washburn as "a loyal citizen of Minneapolis and of Minnesota" since he was using "every effort to prevent the consummation of a scheme which threatened the commercial prosperity of these two cities . . ." Political opponents characterized his speech "as just plain bombast," saying W. D. Washburn "wanted to preserve his standing among the people of Minneapolis and laid it on thick." Others believed "his loyalty to Minneapolis won't prevent the others from selling out at a good price."<sup>299</sup> Washburn, who once received praise and assistance for his interest in pushing the road southward and maintaining an outlet, now received the disapprobation of Minnesota editors for his desire to sell to a pool road. Faithful Pioneer Press carefully suggested that some protection should be given the Twin Cities "against the cupidity of the stockholders in the Minneapolis and St. Louis who are straining every effort to bring about the consolidation."<sup>300</sup> Leading citizens took opposing views; but the large majority solidly opposed the transfer. Philetus Sawyer, of the Chicago, St. Paul and Omaha, and a congressional friend<sup>301</sup> of Washburn, remained silent about the transfer. Promoting

<sup>299</sup>Pioneer Press, January 30, 1881.

<sup>300</sup>Ibid., January 29, 1881.

<sup>301</sup>Ibid., February 2, 1881.

citizens began to suggest "the ratification of the contract of the St. Paul syndicate for the building and operating of an independent line of railway to Sault Ste. Marie to connect with the Canadian Pacific.<sup>302</sup>

If public opinion disapproved of the sale, a substantial group of Minneapolis and St. Louis stockholders and directors acted contrariwise. To facilitate the transfer to the Northwestern, Washburn secured the stock of Wells, Langdon, John Martin, Sidle and Petit original stockholders and leading business men.<sup>303</sup> The profits of the sale promised to be enormous and Washburn, with the favorable stockholders, greatly desired to participate in them despite public censure.<sup>304</sup> Directors scoffed at the public criticism of Washburn's proposed sale and claimed the road would entertain no overtures unless an adequate guarantee for the protection of the business interests of the city were given. But if there were profit in the transaction, remarked one city dweller, "old C.C. will sell and decide the matter."<sup>305</sup>

Final papers for the sale to the Northwestern were never signed. The vigorous resistance of Congressman W.B. had no small effect in keeping the sale from taking place. He hoped, however, to gain politically by stopping the sale

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<sup>302</sup>Op. cit., January 30, 1881.

<sup>303</sup>Ibid.

<sup>304</sup>Ibid.

<sup>305</sup>Ibid., January 25, 1881.

and called upon all Minneapolis stockholders to stand firm against the outsiders. Only by such a method, he said, could the Minneapolis and St. Louis be saved for the Northwest, and the cities saved from "greater perils than ever menaced them before."<sup>306</sup> The directors of the Minneapolis corporation, although the stock control was out of their hands, now declared against the sale of the road to any corporation which would not protect the city's interests.<sup>307</sup> A New York dispatch claimed that the protection of these was one of the considerations of Governor Washburn's contract and that Marvin Hughitt of the Chicago line refused to buy with any attached reservation.<sup>308</sup> The combination of the Northwestern's refusal, probably because of a high price demanded for the stock, and the offer made by W. D. Washburn kept the road from passing over into the control of the Northwestern.

Upon learning of Washburn's desire to sell the road, W.D. Washburn began an active campaign to win public opinion to his favor. He spoke against the sale of the road and in touching terms pictured the helplessness of the city if the road should fall into foreign hands.<sup>309</sup> A New York dispatch mentioned the special trip from Washington to New York of Congressman Washburn to a conference with his brother against

<sup>306</sup>Op. cit., January 29, 1881.

<sup>307</sup>Ibid., January 25, 1881.

<sup>308</sup>Ibid., January 30, 1881.

<sup>309</sup>Ibid.

the disposal, and how Governor Washburn agreed to sell the stock to people more favorable to Minneapolis. By an arrangement with a group of New York bankers, W. D. Washburn obtained the financial assistance necessary to purchase the road. Washburn's stock brought a half million and the road remained independent from the Chicago pool. But a removal of old officers began almost immediately. General Manager Hatch resigned and was replaced by an Eastern man. The directors whose stock Washburn handled in the sale were replaced by H. H. Porter and J. F. Withrow of Chicago, H. R. Bishop and Benjamin Brewster of New York. W. D. Washburn was replaced by R. R. Cable, of the Rock Island road, as president despite the rumor that he held a sufficient stock to control the corporation. Men prominent in the Omaha and Rock Island roads now controlled the board.

<sup>310</sup>Op. cit., January 31, 1881.

<sup>311</sup>Ibid., February 3, 1881; George Woodman to Woodman, February 19, 1881. Woodman Papers.

<sup>312</sup>Pioneer Press, February 3, 1881, Railway Age, February 3, 1881; "R.R. Report, June 30, 1882," in Minnesota Executive Documents, 1882 (3 vols., Minneapolis, 1883), 3: 177. Cable held the position of assistant to the president of the Rock Island road in 1879. This road was one of those which earlier sought the flour business of the Minneapolis and St. Louis. The road was also a member of the Iowa pool which sought to control the rates across that state. Lumber yard men along the Iowa banks of the Mississippi were particularly hostile to the pool and filed bitter complaints against it with the commissioners. "Second Annual Report of the Board of Railroad Commissioners, for the Year Ending June 30, 1879," in Legislative Documents, Eighteenth General Assembly of the State of Iowa (Des Moines, 1889), 2: 106-7.

(Footnote continued to next page.)

The sale of the Minneapolis and St. Louis relieved Washburn of a tremendous financial burden. In an effort to keep control of the company, Washburn was obligated to constantly put more money into the corporation. The heavy investment came at a time when he was endeavoring to modernize his mills and to construct satisfactorily a lumber mill in

312 (Continued)

Of the men seeking control of the Minneapolis and St. Louis, David Dows and J. I. Blair of New York and R.R. Cable and H. H. Porter of Chicago were prominent. The following are Northwest roads in which they were vitally interested:

Iowa

Dows	Blair	Cable	Porter
C.M. & St.P.	B.C.R. & N.	C.R.I. & Pac.	St.P. & S.C.
C. & N.W.	S.C. & Dak.		
C.R.I. & Pacific	C. Ia. & Neb.		
St.P. & S.C.	C.R. & Mo.		
	Des Moines & Mpls.		
	Maple River		
	Ia. F. & S.C.		
	S.C. & Pacific		

Minnesota,

Dows	Blair	Cable	Porter
W. & St. Peter		R.I. & Chgo.	St.P. & S.C.
C.M. St.P.		St.P. & S.C.	C.St.P. & Mpls.
St.P. S.C.		C.St.P. & Mpls.	
C.St.P. & Mpls.			
St. & Dul.			

Wisconsin

Dows	Blair	Cable	Porter
C.M. & St.P.	G. Bay & Minn.		No. Wis.
C. & N.W.			C.St.P. & Mpls.
No. Wis.			C.St.P. & Mpls.
C.St.P. Mpls. & O.			& O.

Third Annual Report of the Board of Railroad Commissioners  
For the Year Ending June 30, 1880 (Des Moines, 1880), 283,  
341, 361, 375, 380, 385, 391, 403, 423, 473, 508; "R.R. Report,  
June 30, 1880," in Minnesota Executive Documents, 1880,  
2: 789, 796, 823, 824, 830, 853; "Seventh Annual Report of  
the Railroad Commissioners of Wisconsin, 1880," in  
Governor's Message and Accompanying Documents (Madison,  
1881), 1: 3, 29, 117, 212, 224, 240.

LaCrosse. Although the profit from the sale of bonds netted him an ample margin, the likelihood of the net earnings amounting to a sum suitable for distribution among stockholders seemed unlikely. The road was never a paying proposition for the stockholders,<sup>313</sup> and Washburn rarely held on to a project beyond the point where he could turn it rapidly. But if the road never paid any dividends directly it benefitted him indirectly. The building of a line free of the Chicago pool drew mills which purchased the water power privileges. Thus, Washburn had the opportunity of selling power rights which lifted that financial worry from his shoulders. The belief that the road was not built in line of direct traffic is only partially substantiated by the gross earnings.<sup>314</sup> It proved beneficial to a combination of millers and lumbermen who<sup>315</sup> patronized the road.

<sup>313</sup>Pioneer Press, January 30, 1881.

<sup>314</sup>Open letter to Hon. W. D. Washburn, n.p., n. d.

<sup>315</sup>Roads carrying flour eastward from Minneapolis (presumably to Chicago or Chicago and eastern connections):

C.M. & St.P.	509,617	bbls.
St.P. Mpls. & Man.	402,823	"
C.St.P. Mpls. & O.	298,390	"
Mpls. & St.L.		
North to the lake	225,012	bbls.
South to B.C.R.N.	<u>349,771</u>	"
	574,783	"
St.P. & Dul.	252,930	"
From Mpls. & St. L.		
(a part from south of Mpls.)		

Roads carrying lumber westward from Minneapolis:

Mpls. & St.L. (south)	30,716,000	ft.
St.P. Mpls. & Man.	11,994,000	ft.
C.M. & St.P.	8,505,000	ft.

"R.R. Report, June 30, 1880," in Minnesota Executive Documents, 1881 (3 vols., St. Peter, 1881), 2: 799-803, 831-2, 855, 861-2.

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Although Cadwallader Colden Washburn occupied positions of public trust and of military importance, he is best known for his business accomplishments. As governor of Wisconsin (1872-74) and even as major general during the Civil War, he did not win the recognition that is now accorded him as the originator of Washburn's Gold Medal flour.

Between 1844 and 1855 Washburn carried on his business activities with Cyrus Woodman. The partners gradually exchanged their pursuits of law and collections for the business of entering settlers' lands and, after 1852, for speculations in the virgin pine lands on the tributaries of the upper Mississippi. In 1847 Washburn and Woodman purchased the Wisconsin shot tower at Helena on the Wisconsin River and began the profitable manufacture of shot. Later they organized the Wisconsin Mining Company, but gave up the venture after a few months of unsuccessful operation.

The great problem confronting the two men was their need of money for speculation and investment. Their main financial sources were eastern friends and business acquaintances, who either loaned money at a reasonable interest rate or advanced funds for joint speculation. When, in 1853, these backers failed to furnish all the aid necessary, Washburn established the Bank of Hallowell in Maine. Much of the expense of the pine-land venture was paid for in Hallowell paper, but the too rapid drifting of circulatory notes to Boston and their presentation by the Suffolk Bank system for specie payment caused financial trouble. To add further hardship on the bank, George Smith presented the

Hallowell paper for redemption in his campaign to replace all Wisconsin and Illinois bank notes with Georgia wildcat. The suspension of all Maine charters and the panic of 1857 proved even more disastrous. From lead dealers at Galena and merchants in Milwaukee they obtained sums for the manufacture of shot. In 1853, as a counterpart of Washburn's Maine bank, the firm established the Wisconsin Bank at Mineral Point, but the law forbade the use of paper outside the state giving the notes only a local circulation. This necessitated a large specie reserve and limited the employment of the bank's funds for speculative enterprises. Despite all the handicaps, the firm used the funds from all sources for the purchase of land warrants which greatly facilitated the profitable entry of lands, and for speculation in the lead district.

Washburn's election to Congress and Woodman's desire to attend to the education of his children marked the end of the partnership. After March 1, 1855, the extensive activities of the firm were carried on by Washburn. The Wisconsin Bank was wound up. The affairs in the lead district and the pine holdings on the Black, Chippewa, and Rum rivers were placed in the hands of agents, some of whom proved inefficient. The crisis of the middle 'fifties and the loss of lumber markets during the Civil War placed Washburn in a difficult financial position, but he managed to evade bankruptcy.

During this period, he conducted heavy lumbering and logging operations. In 1871, in company with others, he built

a sawmill at La Crosse which came into his control four years later. At his death he was considered one of the largest lumber manufacturers in western Wisconsin.

In 1856 he purchased an interest in the water power at Minneapolis. Ten years later, to entice manufacturers to the Falls, he constructed Washburn B mill, the largest in the West. The management of George Christian and the institution of the New Process, a combination of a middling purifier and high grinding, converted the mill into a successful enterprise. The profitableness of flour milling led him to build Washburn A in 1874, C in 1879, and new Washburn A in 1880 to replace the former one destroyed in the explosion of 1878. In 1879 the firm Washburn, Crosby and Company took over the management. Washburn strove constantly to improve the quality of the flour. He sent men abroad to study European methods and imported the latest type of milling machinery. Foreign millers and millwrights were a common sight in his mills. After the explosion he introduced the principle of the roller mill and converted it to American use. To Washburn belongs the honor of developing direct shipments abroad in 1877. He always considered his flour mills to be his greatest achievement.

A necessary adjunct of milling was cheap and rapid transportation of wheat and flour, a fact that Washburn early realized. He was greatly distressed when the Hastings and Dakota railroad put Minneapolis on a spur line. In 1871 when the Lake Superior and Mississippi railroad provided no terminal at Minneapolis, he agitated for the construction of

the Minneapolis and Duluth road from the milling district to White Bear Lake, a station on the former line. The same year he became the motivating force in the Minneapolis and St. Louis line built southward to intercept the St. Paul wheat trade. Later he bought up the stock and substantially owned the road. Since the northern route provided only a seasonal relief from the burdensome trans-Wisconsin pool-line rates, he connected the Minneapolis and St. Louis with the Chicago pool roads at the Iowa state line via Albert Lea, Minnesota in 1877. Two years later the road began construction towards Fort Dodge to utilize the coal mines of southern Iowa. In 1879 the milling public became apprehensive of its independence when the northern outlet fell into ~~unfriendly~~ hands and the Burlington road encountered financial difficulties, but the friendly Rock Island interests gained control of the southern gateway while Washburn's threat to build a new road won him running agreements to the north. The managerial cares and the advocacy by millers of a national regulatory commission caused Washburn to sell the road in 1881 to an independent group headed by W. D. Washburn. The excitement and worry attending the negotiations proved too much and Washburn suffered a paralytic stroke from which he died the following year.

*E. A. Sed* *OK*  
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TITLE OF THESIS The Business Activities of C. C. Washburn

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None

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Approval:

This summary is approved as to form and content.

I recommend its publication by the University of Wisconsin.

Date June 1, 1940 Signed J. D. Hicks  
Professor in charge of thesis