

CHAPTER EIGHT

While Butler Brothers' construction business was riding out the financial storm of 1892-1894 successfully, the final tragic act of one of the most poignant dramas in the history of American business and industry was shaping toward its denouement across the Mesabi Range, at Duluth, Chicago, and New York.

It had its beginnings in 1855 when Lewis Merritt, the stern visaged father of seven dynamic iron hunters of Mesabi Range fame first staked a squatter's claim near the banks of the St. Louis River, along a rocky slope known to geologists as the Duluth Gabbro. The seven Merritt boys led by Leonidas, and Alfred grew fast and strong in the new country. Leonidas was doing a stint of soldiering, helping General Henry Sibley chase the Sioux Indians back across the Missouri River during the Civil War, while his father joined an abortive gold rush to the Lake Vermillion country, and there made a discovery. George R. Stuntz, a government land surveyor at Duluth, traced streaks of iron ore in the grey rocks near Lake Vermillion and unwittingly discovered the Vermillion Iron Range while looking for gold.

Shortly after Leonidas returned from the Indian wars, old Lewis Merritt called his seven sons around him to chart the future. He had just completed a trek on foot across the Mesabi hills he said, and Stuntz discovery at Lake Vermillion was nothing--nothing at all. Lewis showed his boys samples of the rock he had picked up east of the Mesabi hills and beneath those hills was an iron range, Lewis Merritt said. The old man's hunch born in 1865 started his sons toward one of the most fabulous quests for riches, events without parallel in importance, in modern times.

While Leonidas, Alfred, and the younger Merritt brothers beat a heartbreaking zig-zag^{of} paths across the Mesabi, George Stuntz took his story of Lake Vermillion to Jay Cooke, the Philadelphia capitalist, whose money helped finance the North thru the Civil War. Cooke agreed to finance a railroad to bring the ore out of the Vermillion pits and immediately the frontier town of Duluth was in the throes of a boom. Old Lewis Merritt quit his log sawing business to build a hotel in the midst of the saloons that were springing up along the busy waterfront. Leonidas and Alfred took jobs as timber cruisers for the lumber interests to finance themselves while they intensified their search for the red gold of the Mesabi. Leonidas, who had no more academic knowledge of geology than I have had a theory that the richest ore was to be found in low basins rather than high outcroppings of the lands above Lake Superior.

But for many years their meanderings across the Mesabi hills got them little more than exercise. About 1873 Jay Cooke's financial house went broke, and the roaring town of Duluth nearly went broke with it. The irrespressible Stuntz was able to mine a new financial angel, however, and Charlemagne Tower, another Philadelphia banker, took up where Cooke left off. Altho he had heard rumblings of the possibility of ore on the Mesabi Range, Tower chose to pass it by, and went on to buy seventeen thousand acres of lands on the Vermillion Range. Stuntz built a railroad to Two Harbors and the town of Tower was born. Thruout all this the faith of the Merritt Brothers in the presence of ore in the Mesabi remained unshaken and years later Leonidas told something of what they went thru in these words:

My brothers and I used dip needle compasses and made our survey. We never told anybody our plans or what we were doing, but somehow it leaked out and we were made a laughing stock for searching magnetically for none magnetic ore. However, we knew what we were doing. We were not trying to locate the actual bodies of ore with our compasses, but the supporting walls of the basin. We knew these walls would be highly magnetic.

"Our method was to strike thru the woods, until we came to a place where the compass needle was deflected. That indicated the presence underground, at a depth we could not estimate, of the supporting walls of the ore body."

Twenty five years after one of the most exhaustive pursuits for a conviction born of a hunch ever known, the Merritt brother's efforts were crowned with success in the spring of 1890 when they began digging test holes along the crest of the Mesabi. They pushed diamond drills down thru the thick layers of banded taconite and granite, and this marked the beginning of the fulfillment of their dreams. Horace V. Winchell, Minnesota state geologist, who had scoffed at the theories of the Merritts years before, reported the titanic event of the discovery of the Mesabi Range in his annual geological survey report in these words:

"Workmen under the direction of Captain J. A. Nicols of Duluth, Minnesota, (who was incharge of Merritts' drilling crews) encountered soft hematite ore in a test pit on the northwest quarter of section 3 township 58 range 18 west of the principal meridian. This mine now called the Mountain iron was the first body of soft ore discovered on the Mesabi Iron range."

The ore, the Merritts brought to the surface, assayed sixty four percent iron.

The Twin Cities' newspapers of that day I recall kept their readers abreast of these monumental developments on the Mesabi, and I suppose Butler Brothers had no more interest or no less in the proposition than other contractors around Minneapolis or St. Paul.

In 1891, a year after the Merritts had proved their theories, Leonidas and a Michigan mining expert were standing at the lip of one of the diggings near the new town of Mountain Iron. The Michigan man exclaimed:

"This can't be an iron mine."

No mining engineer worthy of the name had ever heard of an operation so simple that all you had to do was have shovels to scoop the loose ore into cars. Until that time every successful mining operation had required the use of shafts to bring the ore to the surface. The ore of the Mesabi was so soft that it was impossible to sink shafts. At Duluth Leonidas became more of a laughing stock than ever. He had discovered iron ore all right, but he didn't know how to get it out. Some times the obvious is difficult to see, but it took weeks before it occurred to Leonidas that all he needed was a scoop shovel, and thus was born the idea of "open pit" iron mining. It didn't take long after the discovery of the Mesabi for news of the events to reach the ears of the mighty steel barons of the east.

Andrew Carnegie, the master of the gargantuan Carnegie Steel Mills of Pittsburgh, sent his agents. Frank Hibbing led a delegation of business associates from Duluth to see for themselves the mighty Mesabi. Meanwhile Alfred and Leonidas Merritt beat a regular path between Duluth and St. Paul trying to raise fifty thousand dollars cash to start the Duluth, Mesabi, and Northern Railroad. While all this was going on geologist Winchell the former skeptic, of the Mesabi's worth publicly ate some more crow. He was quoted as saying ; "More merchantable ore is known to exist on the Mesabi Range than has been produced from all the other mines in the Lake Superior region since they were first discovered."

By October 1892 a steam shovel was moved alongside the new tracks of the Duluth, Mesabi, and Northern Railroad and the first train of cars ever shipped from Mountain Iron on the Mesabi was on its way to Duluth. Men of steel from the great Bessemer plants of Pittsburgh were beating a path to the Merritts' door. The Merritts had staked their luck, intuition, courage, and stamina against the wilderness and had won, but soon they were to be pitted against men skilled in the calculating magic of high finance but none of them knew it. Rugged individualism was the by-word of the day.

Soon the Merritts were ordering ore cars by the dozens and visioning Duluth as a magnificent new steel metropolis, arranging for the construction of ore docks, and becoming drunk with their new power. It has been conservatively estimated since that the Merritts by 1893 could have sold their holdings for ten million dollars cash. Peter Kimberly, a young Pittsburgher was the first of the eastern steel tycoons to move in. He leased the Merritt Brothers Biwabik Mountain Iron Company late in 1892 and contracted to mine a minimum of three hundred thousand tons a year and to pay the Merritts a royalty of fifty cents a ton. Next was Henry W. Oliver, a major steel consumer, who operated a shovel and plow manufacturing business in Pittsburg. Oliver leased the Mesabi Mountain Mine from the Merritts and gave them a seventy five thousand ^{dollar} cash bonus along with a guarantee to mine a minimum of four hundred thousand tons of ore a year and to pay the then unheard of royalty of sixty five cents per ton. Those two deals alone should have put the Merritts on easy street with a guaranteed income of approximately four hundred thousand dollars a year in a day when income taxes didn't take it all. Moreover every ton of ore which was carried over the Merritts's Duluth, Mesabi and Northern Railroad put eighty cents a ton into their pockets.

Oliver and Carnegie already were in a secret financial deal unknown to the Merritts.

The gaping caverns of the Bessemer furnaces at Pittsburg just couldn't be sated. America had gone steel crazy. And the Merritts didn't have enough money to finance the expanding operations of the Duluth, Mesabi and Northern Railroad and were in constant need of more capital to buy more ore cars. Wealthy Duluth residents who had financed some of the Merritts's earlier exploration ventures turned deaf ears to Leonidas' claims for the need of more money. Fifteen hundred ore cars was the minimum Leonidas would settle for late in 1892.

Out of the financial mist came one C. W. Wetmore a widely known New York financial promoter who was an emissary of that mythical tycoon John D. Rockefeller himself. Wetmore held an official title in the American Steel Barge Company, one of the then rapidly expanding Rockefeller projects, and Wetmore's job was to get the contracts for carrying the Mesabi ore down the Great Lakes. In exchange for a deal that would give the Rockefeller barge line that contract Wetmore promised to loan the Merritts one million six hundred thousand dollars to extend the Duluth Mesabi and Northern Railroad to acquire more ore cars.

The Deal was closed in February 1893, and in protest some of Merritts earlier financial backers resigned from the business. The Merritts then were travelling in the fastest financial company in America. Obviously they were not as astute as some obscure newspaper reporter on the Pittsburg Gazette who wrote two days after the deal was closed:

"That Mr. Rockefeller is reaching out for the vast iron production of the Mesabi Range is evident to all persons conversant with this field which in two years has been developed into the greatest iron producing

By 1893 the Merritt brothers almost ceased to be mentioned in the financial stories involving the Mesabi that emanated from Pittsburg, Philadelphia and New York. So naive in the ways of big business were the Merritts, however, that Leonidas once told a reporter for an eastern paper that, "the Merritts have complete control of the Duluth, Mesabi, and Northern Railroad. They own it and control it for all time, and the Rockefellers and the barge company behind them will furnish all the money that may be needed." Leonidas had Mr. Wetmore's promise, and Leonidas had faith in promises. The personal and business of the Merritt brothers and their families and some of their friends had no bounds.

To those of their friends whom the Merritts wanted to share in the new bonanza and lacked the money Leonidas and Alfred generously signed notes for their commitments.

By the spring of 1893 the Mesabi Range in general and the Merritts in particular were beginning to feel the first pinch of the so-called commercial crisis, but Leonidas and Alfred just laughed. They had the mighty Rockefeller whose house was the financial Gibraltar of world commerce back of them or so they thought. As the Spring waned, the summer got tougher. It was tougher for Leonidas and Alfred than any of the days they had known before they discovered the Mesabi. By May of that year, Leonidas found it necessary to go to New York, expecting to be gone for but a few days. He roamed the streets of the Metropolis for weeks and knew what it was to sit in reception rooms for days looking forlornly at doors marked strictly private.

About that time Reverend Fred T. Gates a former preacher in a Minneapolis Baptist Church, was managing director of Rockefellers vast charities, and Mr. Gates arranged for Mr. Leonidas a conference with the great man himself.

Mr. Rockefeller would be happy to help the Merritts thru the tough spot provided a consideration could be arranged, he said. Back in Duluth and on the Mesabi the Merritts couldn't meet their payrolls, and riots were narrowly averted by a Rockefeller shipment of gold by express to the head of the lakes. The consideration Rockefeller referred to involved the consolidation of the Merritts immense Mesabi holdings with Rockefeller's Cuban and Michigan mining properties. Mr. Rockefeller insisted that he wanted no stock in the new corporation called The Lake Superior Consolidated Iron Mines, but would prefer to secure his cash advances with bonds involving a first mortgage on the Merritt properties. When Leonidas protested the affable Reverend Mr. Gates told Leonidas that Mr. Rockefeller was a financier and not a speculator in stocks. Another thing worried the Merritts. They had put up most of their mining and railroad company stocks for collateral for some other frantically negotiated loans, notes for which were payable "on demand". As the Rockefeller financial shot in the arm wore off and in their attempt to raise more money, they issued more stock in the companies they controlled. Mr. Rockefeller took ninety thousand shares at ten dollars a share, and paid them in stocks and bonds of two other Rockefeller affiliates granting the Merritts the right to cover fifty five thousand shares of their own stock any time within a year.

By 1894 the Merritts were desperate. Unable to buy back their stock from Rockefeller they filed a suit against him alleging fraud, and charged that Rockefeller had paid them for stocks in the companies Merritts controlled with stock in Rockefeller companies John D. knew to be insolvent. The federal court jury in Duluth in 1895 awarded the Merritts a verdict for nine hundred and forty thousand dollars. Rockefeller appealed the verdict to the United States Supreme Court which reversed the Duluth court and remanded the case back for retrial. It was said that even during the first trial the Merritts had to walk to the courthouse in Duluth because they didn't have a nickle for carfare. A short time later broken in purse and in spirit, the Merritts surrendered. Men representing the Rockefeller interests were installed as officers and directors of the former Merritt companies.

The lawsuit the Merritts brought against Rockefeller was dropped. Subsequently Leonidas, Alfred, and nineteen other members of the Merritt mine family executed their final business transaction with the Rockefellers. By signing a retraction of their charges of fraud against Rockefeller and for legally removing all taint of fraud against the Rockefeller name the Merritts were paid five hundred thousand dollars.

In extending his canonical blessing to the transaction the Reverend Mr. Gates, at the time said:

"We knew, of course, that it might be charged that the retraction had been purchased with the price of the settlement, but we reflected that honest men making true charges of fraud are not accustomed to retract those charges for a price in money."

When Leonidas died, nearly thirty years later he left as a heritage the fabulous Mesabi Iron Range to those more skilled in the money marts. But his personal estate consisted of fifteen ~~do~~ hundred dollars worth of household goods, eight hundred dollars worth of miscellaneous property, and a paltry one hundred and fifty dollars in cash.

It was against this background that brother John the first of the Butler brothers was to see the Mesabi Range in 1902.

and Chapter Eight.