

# A WESTERN RAILWAY WAR.

## RUSSELL SAGE VS. ALEXANDER MITCHELL.

### CONTEST FOR THE CONTROL OF THE MILWAUKEE AND ST. PAUL ROAD—A HISTORY OF THE TROUBLE—STATEMENT OF THE PARTIES—THE TRUE STORY.

*From Our Own Correspondent.*

MILWAUKEE, Wis., Friday, May 7, 1875.

The inside history of the contest between Russell Sage, of New-York, and Alexander Mitchell, for the control of the Milwaukee and St. Paul Railroad, is yet to be told. First I will give the recent developments; then the statements of the two parties, and finally the true story. Mr. Mitchell has forwarded to the stockholders, a circular soliciting their proxies for the approval of an act passed at the last session of the Wisconsin Legislature, providing for the election of directors for the company. To show the effect of the act it is necessary to go back a little. Some years ago a classification act was passed by the Legislature, which provided that one-third of the Directors of the company should be elected each year, to serve for three years. This of course would prevent any sudden change of policy in the management, two-thirds of the Directors holding over. The law presents itself as wise and conservative, and it would seem difficult to secure its repeal. How the repeal was secured this letter will explain after its effect is shown.

The act repealing the classification law was passed by the recent Legislature, and provides that the term of every Director shall expire in June, 1875, on the day of the annual election, when, under the former act, only one-third of the Directors would go out of office, and that all the Directors shall be elected annually. The acceptance of the repealing act is to be voted on before the election polls are opened at the annual meeting. It is to secure the adoption of this that Mr. Mitchell has sent his circulars asking for proxies to the stockholders.

Mr. Mitchell's statement through his friends and aids, officers of the company, in this city, runs in this style: Mr. Mitchell's admiration for home-rule is touched at the spectacle of a Wisconsin railroad in the control of New-York "sharks," and this contest is to decide whether New-York or Milwaukee shall in future exercise such control—Russell Sage, as the representative of New-York, and Alexander Mitchell as the representative of the interests of this city, this State, and the great North-west. Mr. Sage and his friends circulated reports against the integrity of the President of the company, Mr. Mitchell. Russell Sage and his friends—continue Mr. Mitchell's friends—are cold-blooded speculators, engaged in multitudinous Eastern interests, Wall street gold-gamblers, unable to understand and enter into the broad, liberal plans of Mr. Mitchell to bring prosperity and happiness to the agriculturists of the North-west. Mr. Sage has been responsible for the heartless discriminations in freight tariff for which, until now, Mr. Mitchell has quietly borne a share of condemnation. Messrs. James and Cowdrey, friends of Mr. Sage, have made themselves especially obnoxious to Mr. Mitchell, who loves the people of the North-west, by insisting that the entire management shall be vested in New-York capitalists; that it is in the highest degree wrong to have a President who is not a Wall street operator, and that the head officers should be located in the Metropolis. For these reasons Mr. Mitchell desires to deprive Russell Sage and his friends of any voice in the management of the road.

Mr. Sage speaks, also through friends here, to this effect: Mr. Mitchell draws a salary of \$12,000 a year for doing nothing. His only object, (and Mr. Sage abhors such cold-blooded longing for lucre,) is to fill his own pockets with the money of the stockholders, taking every opportunity to squeeze this confiding corporation like a lemon. On the other hand, while Mr. Mitchell has been drawing pay for being a figure-head, the good Mr. Sage has attended to his every duty, and has borne the burden of managing the company's affairs in New-York without aid, without adequate compensation. Contrast this action once more with that of Mr. Mitchell, who has been absorbed in his plans to build up his bank, accumulate wealth, and make fortunes for himself and friends at the expense of the company. And here Mr. Sage says, through his friends, that it has been publicly charged on Wall street that Mr. Mitchell bought his way into Congress with the funds of the company. Further, the policy of the company in Wisconsin was shaped by Mitchell with the sole view of securing political influence. Mr. Sage's strongest objection to Mr. Mitchell is, that the latter used the railroad company to influence the late elections in this State.

There is much notorious truth in what these gentlemen say of one another, and, however great may be Mr. Mitchell's love for the people of the North-west and Mr. Sage's scruples against influencing elections by railroad money, the real cause of the trouble is entirely distinct from such love and such scruples. And here it is: The Milwaukee and St. Paul Company, a few years ago built a number of elevators in this city. The amount of money that is made out of them is simply astounding. Two cents a bushel is the price the management of the elevators secures for merely looking at wheat. This is immense, but it is not all. The control of the elevators keeps the management posted thoroughly as to the supply, and gives it the inside track on wheat corners, which have been of annual occurrence. On more than one occasion, when wheat was demanded to break a corner, and was on its way to the market, a bridge was, by remarkable fatality, burned by spontaneous combustion, and the corner has continued. These elevators were leased at large figures to Angus Smith, who made half a dozen fortunes out of the splendid prize. A year ago last Winter the elevators were taken away from him, and now the fight between Mitchell and Sage, for a large part of the fight, is whether Mitchell's friends or Sage's friends shall control so splendid a source of income.

This leads to the explanation of how Mr. Mitchell secured the passage of the act repealing the Classification law referred to above. That Mitchell caused the defeat of Senator Carpenter is firmly believed, and as the majority in the Legislature was friendly to Carpenter, no act known to be favorable to Mitchell could be passed. This state of affairs resulted in the successful playing of one of the most skillful "Heathen Chinee" games on record. Angus Smith, being deprived of the management of the elevators, became an enemy to Mitchell, and effected a connection with the Chicago and North-western Company by which that company built an elevator here, giving Smith charge. Smith fought Mitchell on every occasion, and, as a consequence, was a much trusted Carpenter leader. This latter fact gave him influence with the Legislature. When the bill repealing the Classification act came up, in the Legislature, it was ostentatiously fathered and favored by Angus Smith, and the easy inference the Legislature drew was that it was hostile to Mitchell—and, of course, it was passed. The argument used to aid in its passage was that the Classification law operated to the advantage of the speculating Directors; that, having been elected for three years, they had no further occasion to hold stock during that term, and could unload and operate, either to advance or depreciate it. And now it transpires that Angus Smith and Mitchell had effected a reconciliation, and that in consideration of his services in securing the passage of the Repealing act under the public belief that it was unfavorable to Mitchell, the latter is to restore Smith to the charge of the elevators. Jesse Hoyt is the mutual friend who brought about the reconciliation.

The people of Wisconsin and the North-west are indifferent as to the result, and consider there is little choice between hearing the road figure as a stock-gambling machine in New-York and as a political machine in Wisconsin. But they would like to see Mitchell and Sage tell the whole truth about one another, as they have been in partnership in many interesting transactions. Russell Sage is known in the North-west as the father of Credit Mobnier in the United States, and the history of the Sage-Mitchell partnership in the building of what is now the Chicago branch of the Milwaukee and St. Paul Railroad is only characteristic of other transactions of the same partnership. A company was organized by these gentlemen to construct an air-line road from Chicago to Milwaukee, which would enable trains to make the trip in two hours, and take away all the through freight and passenger business from the North-western Company, which followed the tortuous shore of the lake through Racine, Kenosha, Evanston, and other important points. The road was built and sold by Sage and Mitchell to the Milwaukee and St. Paul Company at a profit of \$3,000,000, the length of road being eighty-five miles. And

how comes in the interesting part. The line is not enough shorter than the North-western to affect, in the least, the through business of that road; but, as it does not run through Racine, Kenosha, Evanston, &c., or any towns whatever, it loses all the valuable way business of those important points. To have run it through those places would have cost Sage and Mitchell a great deal of money for the right of way; to run it where it does run, away from all towns, the right of way was insignificant as to cost. So the Milwaukee and St. Paul Road has its comparatively profitless air line to Chicago, and Sage and Mitchell have \$3,000,000 more than the main line could have been extended for. The Mitchell-Sage fight promises to be a bitter one, and it is said the latter will contest in the courts the constitutionality of the Repealing act. Sage, it is affirmed, controls \$3,000,000 worth of the stock, and George Smith, Mitchell's friend, quite as much more. Nearly five-sixths of the entire stock is held East, and beyond the signature to the circular issued by Mitchell, nearly two-thirds of the balance is supposed to be favorable to Sage. It is claimed by friends here that Mitchell is only a figure-head, and if he wins, George Smith and Jesse Hoyt will really control the company.