In the predawn hours of September 6, 1862, Minnesota Governor Alexander Ramsey telegraphed a desperate appeal to President Lincoln: “This is not our war, it is a national war. . . . send us 500 horses. . . . Answer me at once. More than 500 whites have been murdered by Indians.” The response was immediate and dramatic. By the end of the day, Secretary of War Edwin M. Stanton had created the Department of the Northwest to be headquartered in St. Paul. Major General John Pope was ordered to “employ whatever force may be necessary to suppress the hostilities, making your requisitions upon the proper departments for whatever may be needed for that purpose.” Minnesota’s beleaguered population, on edge since the U.S.–Dakota War broke out on August 17, could now hope that the Dakota would be driven from the state.1

In the aftermath of the devastating financial Panic of 1857, Minnesota businessmen could also hope that the profits of this second war would help spur development. At Fort Snelling, the federal intervention promised an added financial windfall for Franklin Steele and his many business associates, who had already begun to profit from the Civil War.

Celebrated as the man who “inaugurated the lumber industry, built the first mills, organized and developed the water power resources, dammed the rivers, bridged the
contracts for outfitting the fort and providing rations for the men, hay for the horses, and wood for heating and cooking. As more than $10,000 a month streamed in from these contracts, word spread to Steele’s many creditors. The purchase of Fort Snelling was finally paying large dividends.

As substantial as Steele’s Civil War profits were, they were not enough. The 1857 panic had destroyed the value of his real estate empire and left him unable to develop the water power at St. Anthony Falls or create a new city at Fort Snelling. By early 1861, many Minnesota banks had failed. Steele was forced to hide his assets from his creditors. His frequent partner Henry Rice, now Minnesota’s senator in Washington, felt that “all of the old settlers of Minnesota [were] ruined hopelessly.” In order to augment the income from supplying Civil War troops, Rice and Steele lobbied in operations and the sale would be illegal. The election of President James Buchanan (1857–61) and the confirmation of Secretary of War John B. Floyd radically changed the political situation in Washington. Delegate Rice quietly pushed a bill through the Senate to legalize the sale, while Steele found several partners to help finance the purchase. Commissioners were sent to Minnesota to conduct an auction, but Steele reached a no-bid deal with them to purchase the entire reserve—including the fort—for $90,000. When he handed over the first payment of $30,000 on July 10, 1857, he appeared to be about to realize his dream of establishing a great manufacturing city.

It was not to be. Three months later, the Panic of 1857 had all but destroyed Minnesota’s property values. By the fall of 1858 Steele was being hounded by creditors, while a congressional investigation concluded that the sale of the fort was illegal and Secretary Floyd was guilty of “a grave official fault.” Despite these setbacks, Steele remained in possession of Fort Snelling, the reserve, and its buildings.

When news of the fall of Fort Sumter reached Washington in early April 1861, Governor Ramsey immediately tendered 1,000 volunteers to the Union army. Troops from across the state were to be mustered in and trained at the only suitable site: Fort Snelling. Steele promptly donated the use of his fort to the state. In return, he received large contracts for outfitting the fort and providing rations for the men, hay for the horses, and wood for heating and cooking. As more than $10,000 a month streamed in from these contracts, word spread to Steele’s many creditors. The purchase of Fort Snelling was finally paying large dividends.

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Facing: Fort Snelling prison camp, a fenced enclosure on the Minnesota River flats below the fort, 1862–63

Franklin Steele, about 1860

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Washington for the establishment of a military hospital or prison at Fort Snelling. By the summer of 1862, they realized that their efforts had failed.7

The Dakota war was the perfect solution. On August 27, President Abraham Lincoln’s personal secretary, John Nicolay, told the war department, “The Governor needs six field-pieces complete, with horse equipments and fixed ammunition; defeat at the second battle of Bull Run on August 30, he was removed from his command and banished to the Indian wars on the frontier. Pope needed a quick and decisive victory to mitigate his disgrace and end his exile. On arriving in St. Paul on September 17, he wrote Sibley, detailing his elaborate plans for “exterminating or ruining all the Indians engaged in the late outbreak.” A thousand mounted men and 1,500

Pope infuriated his superiors there by going beyond his topographical mandate to “seriously recommend the propriety of giving up to purchasers the military reserve of Fort Snelling, which embraces several of the most desirable points in this portion of the Territory.” In his brief two weeks at Fort Snelling, Pope had “bought” two extremely expensive lots in St. Anthony from Steele. During the Red River expedition, however, Pope suggested that earlier surveys were shoddy and the border with Canada should be resurveyed. Woods, embarrassed and infuriated by this suggestion, managed to quiet the ensuing political storm but never forgave Pope. When Pope later attempted to be reassigned to Fort Snelling to pursue his real estate plans, Woods refused to accept him to his command. Pope, banished to the Southwest frontier, was forced to sell in 1851. The “game,” as Woods called it, that would bring fortunes to Woods and others had been snatched from his grasp.11 Now he was back.

Two days after Pope’s arrival in St. Paul, Sibley began his march up the Minnesota River valley in search of Little Crow. On the morning of September 23, Little Crow’s warriors lay in the tall grass waiting for Sibley to break camp. An unauthorized food-gathering foray stumbled into the ambush and precipitated the Battle of Wood Lake. Two hours later, Sibley’s troops, aided by effective artillery fire, had decisively defeated the Dakota. Sibley reported to Pope that Little Crow’s band had “hastily struck their tents and commenced retreating in great terror.” This victory, however, was not enough for Pope. He urged Sibley to continue his expedition

The profits generated by the two wars would enable Steele, Rice, and their many associates to begin developing the vast resources of Minnesota.

six 12-pounder mounted howitzers; arms, accoutrements and horse equipments for 1,200 cavalry; 5,000 or 6,000 guns . . . medical stores for three regiments and blankets for 3,000 men.” With the local war effort headquartered in St. Paul, Steele would be supplying sustenance for these men and horses, too. In the first month of the war, Steele reaped $8,000 in profits supplying rations for Col. Sibley’s troops (Governor Ramsey had placed him in charge of the Indian “expedition”) advancing up the Minnesota River valley.8 If the highly mobile Dakota escaped onto the Great Plains, successive campaigns could go on for years. Prisoners, a valuable commodity, would have to be housed and fed locally. The profits generated by the two wars would enable Steele, Rice, and their many associates to begin developing the vast resources of Minnesota.

Gen. Pope, however, was a dangerous obstacle to these local visions. After leading the disastrous Union foot soldiers, with four-months rations for the men and forage for the horses, would enable Sibley to destroy the Dakota.9

Unfortunately for the Minnesota entrepreneurs, Pope also had a bitter grudge against Steele and Rice. Pope had first arrived at Fort Snelling in May 1849 to serve under Fort Snelling commander Woods as the topographical engineer on an expedition exploring the Red River valley. That was the year that Steele, Rice, and Woods had launched their attempt to acquire the Fort Snelling military reserve. Woods and other officers and soldiers would dispense settlement, farming, and ferry-operator privileges to Steele, Rice, and local businessmen. In exchange, they would receive half of each property and lots in St. Anthony from Steele.10

Although Pope was not an acting officer at Fort Snelling and therefore could not dispense settlement privileges, his report on the expedition would be read by powerful people in Washington. Seizing his opportunity,
and promised that cavalry would arrive shortly. “It is my purpose,” Pope wrote, “utterly to exterminate the Sioux if I have the power to do so and even if it requires a campaign lasting the whole of next year.”

Pope, who had had firsthand experience with war profiteers on the Southwestern frontier, realized that his Fort Snelling enemies were poised to make a fortune from the Dakota war and from the frontier forts that might be erected to protect settlers in its aftermath. He wrote his commanding officer, Maj. Gen. Henry W. Halleck, “The creation of a department in this region has inflamed the cupidity of every unscrupulous speculator and trader in this country.” Senator Rice and his “band of Malays” looked to restore their “broken political and material fortunes” through war profits.

On September 25, just two days after Sibley’s dramatic victory, St. Paul newspapers carried an advertisement soliciting bids on the supply commissary for Pope’s army. Contractors had 30 days to deliver 1,850,000 pounds of hard bread, 324,000 pounds of rice, 486,000 pounds of sugar, and vast quantities of other staples. There was no chance that Minnesota contractors—such as Steele and his cohorts—could procure and deliver these supplies in the short time span. The Pioneer Press, closely associated with Rice and the Democratic Party, expressed the local outrage and suggested that Pope was attempting to line his own pockets and reward his Chicago friends.

For Pope, it must have been sweet revenge for his humiliation a decade earlier.

The general realized too late that “every means will be used to get some man of themselves [Minnesota speculators] . . . who will minister to their operations” to replace him as commander of the Department of the Northwest. On October 9, less than two weeks after the contracts were advertised, Governor Ramsey received word from Washington that Senator Rice would be commissioned major general and supplant Pope. According to the Pioneer Press (a vocal critic of the Republican governor), Ramsey did nothing to advance Rice’s cause, instead alerting Pope.

Pope had experienced a long career of political infighting and knew how to extricate himself. On October 9 he wrote to Halleck, “The Sioux war may be considered at an end.” Governor Ramsey, recognizing a political opportunity, soon sent President Lincoln the same message.

Furthermore, on October 7 Pope had dispatched orders for Sibley to transport some 1,500 Dakota prisoners—many of them women and children—to Fort Snelling. Indians active in the war would be tried in the field by military commission and, if found guilty, executed. Sibley, who had planned on leaving shortly to pursue fleeing Indians, found his new orders “exceedingly perplexing.”
Two years later, territorial delegate Rice introduced legislation in the Senate to issue scrip certificates, granting the “half breeds or mixed bloods of the Dakota or Sioux nation of Indians” up to 640 acres on unoccupied, unsurveyed lands not reserved by the federal government in exchange for relinquishing all rights in the Half Breed Tract. Rice claimed publically that the law protected the recipients of the scrip “in every respect”—it specified that “no transfer or conveyance of any of said certificates or scrip shall be valid.” Privately, he told friends in Minnesota that the “Half Breed Bill” would create an opportunity for considerable profits.23

For a negligible sum, the owner would sell his or her scrip and sign two power of attorney documents. The first would authorize the “attorney” to use the scrip to obtain a piece of land at the nearest U.S. land office. The land would then be “patented” by the General Land Office in Washington and a deed registered to the original mixed-blood scrip owner. The second power of attorney document would then be used to transfer the deed to the “attorney,” who could
resell it to anyone. Essentially, the mixed-bloods would sell their scrip for cash, and the ensuing legal transfers would not involve them. In fact, the attorney line was frequently left blank, to be filled out later by the final purchaser of the certificate or deed. The provision allowing scrip to be located on any unsurveyed, unreserved land would prove vital in Steele’s plans for maximizing his profits.24

In the long American tradition of buying and selling military land warrants issued to veterans in return for service, a market for the valuable scrip certificates sprang up in St. Paul. Scrip could be bought from mixed-bloods for 50 to 75 cents per acre and then resold for a substantial profit.25

Efforts to corner the market began almost immediately. General James Shields, charged with distributing the scrip to the Dakota mixed-bloods in 1857, secretly joined the Wabashaw Land Company along with Rice and Steele. Using scrip obtained with Shields’s inside information and cash from ten investors, this company intended to secure all of the land between the Mississippi River and the bluffs from Lake Pepin to the Zumbro River. With large amounts of borrowed cash, Steele also purchased tens of thousands of acres of scrip for himself to use on the most valuable Minnesota land, particularly townsites where railroads might cross major rivers.26 By the onset of the Dakota war, the voracious appetite for acquiring Minnesota land had used up nearly half of the scrip. By November 1862 the other half was in danger of being irretrievably lost on the western prairies.

Beneath Steele’s fort, the Dakota and mixed-bloods were concentrated in a squalid prison camp on the flat ground between the Mississippi and Minnesota rivers. Mixed-blood prisoner Gabriel Renville described their plight. In a fenced enclosure, the Dakota

were so crowded and confined that an epidemic broke out among them and children were dying day and night. . . . The news then came of the hanging at Mankato. Amid all this sickness and these great tribulations, it seemed doubtful at night whether a person would be alive in the morning. We had no land, no homes, no means of support, and the outlook was most dreary and discouraging.27

Even the solace of their religion had been stripped away. As Presbyterian missionary John P. Williamson observed, “The leading medicine men have either fled or been convicted, the women and children and remnant of the men are left without a priest and without a god.”28

The defeated Dakota, their way of life shattered, were now ripe for conversion to Christianity. In a dark, cold warehouse beneath Fort Snelling, hundreds of prisoners listened intently to Williamson and Stephen Riggs extol the virtues of a Christian God. “By gradual steps,” Riggs later wrote, “but with overwhelming power, came the heavenly visitation.” Although somewhat skeptical about the prisoners’ motives, Riggs viewed the mass religious conversions as “a most amazing work of God’s Spirit.”29

The missionaries received crucial assistance from church elder Antoine Renville and other mixed-blood Dakota prisoners who had been members of Riggs’s Hazelwood mission or Williamson’s Pajutazee church, both near the Upper Sioux Agency in Yellow Medicine County. Trader Joseph Renville had converted to Christianity in 1836, and his eight children had become the backbone and, in fact, most of the flock at Hazelwood. When Riggs started the Hazelwood Republic, a pseudo-tribal government, in 1856, Gabriel Renville was elected one of the three councilmen, and his cousin John B. Renville became the first teacher. The Hazelwood Republic adopted a constitution requiring conversion to Christianity and the use of white dress and customs. The primarily mixed-blood members were encouraged to farm, build wood homes and a school, employ a teacher, and adopt private property.30

At Hazelwood, the usual religious relationship between Christian missionaries and the Dakota was complemented and intensified by an economic partnership. Despite farming assistance from a U.S. Indian agent and money from the American Board of Commissioners for Foreign
11 horses, 16 oxen, and 14 wagons. McKusick did not list, and probably was unaware of, the real treasure: thousands of acres of scrip. The 29 Renvilles in the prison camp, protected by their isolation at Yellow Medicine and Riggs’s careful handling of their finances, still had most of their scrip. And, there was more. Sibley’s military trials at Camp Release in October contributed to the growing cache. For example, Steele’s partner William S. Chapman, a land speculator and town founder, managed to obtain scrip from Henry Milor, who would be hanged in Mankato.33 While the rations contract would generate significant profits for Steele, the scrip was the real prize.

In Berlin, Wisconsin, the news of death and despair reached John Renville and his wife, Mary. In early 1863 Mary Renville wrote Riggs, beseeching him to talk to Sibley and save her “husband’s brothers from...
that foul camp." She informed both Riggs and Sibley that the Renvilles in the camp still had their scrip. Riggs's care with the scrip had frustrated Steele and his partners. Now, with the Hazelwood mixed-blood community imprisoned below his fort, Steele bypassed Riggs and began purchasing the scrip.34

Steele’s window of opportunity was a brief one. By May 1863, all prisoners were removed from Minnesota: the Fort Snelling internees to Crow Creek Reservation in Dakota Territory, and the “warriors” from Mankato to Fort McClellan in Davenport, Iowa. Steele’s war profits decreased substantially when the measles-ravaged Dakota prisoners left the fort.35

Other scrip owners had left the camp even earlier. Gabriel Renville, desperately seeking a way out of prison, suggested to Sibley “that some mixed bloods be picked out as scouts and sent to the Redwood Agency.” After receiving approval from his superiors, Sibley agreed to save the mixed-blood Dakota that had earlier helped save white settlers. On February 26, 1863, Gabriel Renville and 36 other men rode away from Fort Snelling with rations provided by Franklin Steele. From March until June 1863 Renville, his cousins, half brothers, and the others scoured Minnesota’s frontier beyond Yellow Medicine, scouting for hostile Dakota. The scouts were beyond Steele’s reach and even isolated from Riggs. No one could buy or sell their scrip. Although stripped of their scrip and reduced to earning their monthly subsistence as scouts, they had escaped the scourge of Fort Snelling.36

Congress’s banishment of the Dakota from Minnesota had temporarily slowed the flow of federal dollars into Steele’s hands. On June 16, 1863, however, Gen. Sibley left Camp Pope near Redwood Falls on his summer campaign to punish the Dakota that had fled onto the plains. His column stretched for five miles, with 225 wagons carrying provisions to feed and equip over 3,000 troops for 90 days. Steele obtained the beef contract for Sibley’s expedition, using dummy contractors. That spring, George Brackett, Steele’s partner in the deal, bought cattle at low prices from the destitute settlers who had abandoned their burned-out farms. Brackett and Governor Ramsey’s nephew Alexander Ramsey Nininger drove the herds to Camp Pope for a tidy profit. Added to the 40,000 rations that Steele furnished federal troops and his various hay, wood, and corn contracts, he had plenty of cash to buy up half breed scrip from dealers around the state.37

When Sibley’s expedition reached Dakota Territory that June, it was joined by the main body of scouts. Riggs, at Sibley’s request, had accompanied them as interpreter. For the next two years, the scouts searched for the remnants of Little Crow’s forces in the territory. Riggs and Sibley once again became the conduit to patents, deeds, and payments for the few remaining pieces of scrip. Steele’s direct access to it had ended.38

With Sibley’s army searching for hostile Dakota and the state offering a $25 bounty on scalps, Dakota mixed bloods who had evaded the Fort Snelling prison camp were desperately seeking protection. Joining the ranks of Sibley’s scouts offered a livelihood plus the safety of the U.S. Army. Many of these men, never associated with the Christian missionaries, were willing to sell their scrip to anyone who offered cash. Steele and his partners eventually acquired several thousand additional acres of this scrip. When he was not following up leads to scrip in Wabasha and Prairie du Chien, Chapman visited the Dakota mixed bloods imprisoned at Fort McClellan in Davenport, where he managed to

FACING: Confirmation of Dakota people at Fort Snelling by Episcopal Bishop Henry B. Whipple (center, back), April 1863

Gabriel Renenville, photographed about 1890 in northeastern South Dakota near the Lake Traverse Indian Reservation that became his home

Presbyterian missionary
Stephen Riggs, 1862
obtain more scrip. By the fall of 1863 Steele, Welles, Chapman, and their minor partners had collected close to 15,000 acres of half breed scrip.  

Exactly how Steele obtained scrip at the prison camp is unknown, but it is clear that the fort’s inmates had yielded more than 8,000 acres of it to him, including over 3,000 from the Renvilles that, according to Mary Renville, had been in their possession at Fort Snelling. Although Steele’s records do not document the purchase of specific pieces of scrip, the original owners and eventual use of it can be found in U.S. Bureau of Land Management’s General Land Office Records. Each piece carried a unique number and the owner’s name; matching this information to documents preserved in Steele’s papers indicates that he and his associates patented or sold the scrip. For example, a receipt from William Chapman establishes Steele’s ownership of Gabriel Renville’s entire 480 acres of scrip in November 1863. The only opportunity to purchase it was when Renville was in the prison camp. What Steele paid for the prisoners’ scrip remains a mystery. Although he kept careful records of his scrip and its use, he rarely noted the price paid to the mixed-blood Dakota. Sibley’s contention that Renville left the prison camp destitute suggests that he was paid little or nothing. Sibley’s later involvement in Steele’s scrip operations suggests another possibility. Did the Renvilles trade their scrip for their freedom? There is no direct evidence to establish what really happened. While Riggs would undoubtedly have resisted the sale of the valuable scrip, the safety of his flock would have been his first concern.

Steele’s business competitors were probably not impressed with his acquisitions. The extension of preemption to unsurveyed land in Minnesota in 1854, the flood of military land warrants into the state, and the passage of the Homestead Act in 1862 provided land seekers with other options. In the fall of 1863 scrip was selling for 50 cents to $1.50 per acre, averaging less than the federal preemption price of $1.25. Steele, however, had no intention of selling his scrip in Minnesota. Instead, he had designs on the riches of Nevada.

On June 11, 1859, the world had learned of the fantastic wealth of the Comstock Lode in Nevada. Steele waited two years for the early chaos of the mining rush to stabilize. By 1861 the severity of Indian attacks had diminished in the West, San Francisco capitalists had organized the Ophir Silver Mining Company, and the problems of milling the silver and shoring up the deepening mines had been solved. With new mineral discoveries requiring additional, vast amounts of timber, Welles and Steele sent their first 1,000 acres of half breed scrip west in November 1861. In the rough, semi-legal world of mining claims, facing intense local opposition and without a federal land office to handle the scrip, Steele’s efforts were rebuffed. In the fall of 1863 it was time to try again.

On November 24, 1863, William Chapman arrived in Carson City, Nevada, with thousands of acres of half breed scrip. The rapidly expanding territorial capital, flush with mining cash and speculators, was a perfect market. Two hundred acres of Fort Snelling inmate Rosalie Moores’s scrip sold for $10 to $15 per acre for tracts in Carson City. By January 1864, Chapman began traveling from his office in the capital to the mining camps of Washoe, Gold Hill, and Virginia City and south, to Genoa, to prospect among the lumbermen buying up the forests above Lake Tahoe. Word spread about Chapman’s scrip, and he found eager customers as he searched for the best deals.

To handle the growing quantity and complexity of these transactions, U.S. federal attorney for Minnesota, George A. Nourse, resigned his position and joined Chapman. When legal recourse was thwarted by local land-office officials, Chapman greased the skids with bribes. Back in Minnesota, Welles worked with a growing ring of assistants to process the power of attorney documents and deed transfers, while former Minnesota Supreme Court justice and New Ulm war hero Charles E. Flandrau served as bagman, transporting the valuable documents to Nevada.

Because the scrip was only valuable if holders could obtain federal patents, influential connections were critical. Steele worked with Minne-
Back at Fort Snelling, Thomas Renville (Crawford) had signed a power of attorney paper to locate his complete 640-acre set of scrip before he left and joined his half-brother Gabriel Renville among Sibley’s scouts. Chapman filled in the second power of attorney document, assigning it to his assistant, Clinton Gur-nee, who located Thomas Renville’s scrip on Pray’s land at Glenbrook Bay and then sold the deed to Chapman for $5 per acre in 1863. Chapman’s title was once removed from the scrip, and the undoubtedly fictitious price gave the appearance of a legitimate transaction. Seven years later, the deed was finally transferred to Pray. Although the details of this deal are obscure, Chapman frequently took half of the profits earned on a piece of land for a specified time instead of cash. By 1867 Thomas Renville, who had earned $1 a day as a scout during the war years, had retired to the Lake Traverse reservation in Dakota Territory. He owned one horse.⁴⁸

The greatest prize in Nevada was the 675-foot-long vein of soft silver that had been claimed by the Ophir Silver Mining Company. In February 1864 Chapman began sales negotiations with Ophir attorney William M. Stewart. Stewart immediately wrote to Henry Welles, asking Chapman’s Minnesota associates to verify his credentials. The letter of reply, testifying that Chapman was absolutely trustworthy, was signed by the men Steele had assembled to finance the western scrip operations: Steele, Welles, John Prince, Sibley, river transportation magnate J. C. Burbank, and the St. Paul bankers Borup & Oakes and Thompson Brothers.

On the rugged Nevada frontier, half breed scrip quickly began to play a vital role in securing rich natural resources. At Glenbrook Bay on the heavily timbered eastern shore of Lake Tahoe, Augustus W. Pray had constructed a sawmill on 1,000 acres he purchased from squatters. In 1863 he built a steamer to ferry supplies and haul logs to feed his mill. A new road to the Spooner Summit and the 12-mile flume to Carson City had Pray poised to make a fortune supplying timbers for the Comstock mines—but only if he could obtain valid deeds for Glenbrook Bay and Spooner Summit. Pray’s predicament and Chapman’s scrip were a perfect match.⁴⁷
A deal was quickly struck for more than 6,000 acres in Washoe County, half of which were part of the Ophir mine and its surround. Stewart had purchased more than 2,000 acres of scrip originally owned by inmates of the Fort Snelling prison camp. Chapman instructed Steele to get the deeds signed on these “very valuable” properties in a quiet way so as not to “raise any talk” among the “half breeds.” Chapman added, “Some of my locations are so very valuable that I tremble when I think of the risk that must be connected with delay.”

The most valuable patent Chapman would sell was for the Ophir’s huge silver mill near Davis Creek in Washoe County. Writing to Steele on November 25, 1864, he emphasized that Peter St. Antoine, one of Sibley’s scouts, “must convey” his deed. “It is on the Ophir mill.” The deed was to be handled “very carefully” and the letter burned. The other half of this financial coup was located with Gabriel Renville’s scrip 404E. Renville’s entire 480-acre allotment was sold to the Ophir Silver Mining Company between September 1864 and April 1865. While Chapman settled with Ophir on February 20, 1865, Renville was serving with Sibley at Skunk Lake in Dakota Territory. The 21 scouts plied their cold and dangerous craft for rations only, without pay. On May 1, 1865, Renville was appointed chief of scouts and began earning $2.50 per day.

The Ophir deal with Stewart helped solidify Steele’s and his associates’ already substantial pull in Washington, D.C. In December 1864, Stewart had become Nevada’s first senator and soon established himself as one of the nation’s leading mining authorities. With this increased influence, Chapman’s locations were quickly patented. As news of their success spread, Chapman crowed, potential clients could see that he and his associates “get what we want from Washington D.C.” By 1867 their reputation was so pervasive that other scrip dealers paid Steele half the profits for fixing their patents.

In January 1865, Chapman, having located close to 15,000 acres of half breed scrip in Nevada, began shifting his operations to California, where the gold rush had created an immense, inflated market for redwood timber. Trying to monopolize the best stands of timber, several San Francisco speculators signed contracts with Chapman for 9,000 acres of scrip at $5 per acre, plus half the profits when they sold. Chapman estimated that the land near Pescadero Creek in San Mateo County was worth $250 per acre.

To the north, the California Lumber Company had just built a new sawmill on Big River in Mendocino County. To allay suspicions that his scrip operation might be a fraud, Chapman helped the mill men patent 5,000 acres of school land warrants, obtained elsewhere. The San Francisco bankers backing the company, satisfied with Chapman’s integrity, then signed a contract to buy 10,000 acres of choice redwood lands from him in the Big River watershed for $5 per acre. High above the river, 640 acres of the finest redwoods were located with Elizabeth LaBathe’s complete set of scrip, obtained by Steele at the Fort Snelling prison camp. One of hanging victim Henry Milor’s certificates, 516B, was located farther upriver.

By 1869 Chapman had patented more than 15,000 acres of half breed scrip in California, three-quarters of it on redwood timber lands, and Steele’s western operations had cleared close to $300,000 (about $4,795,700 today). The funds generated by profit-sharing contracts on the Ophir Mill, Glenbrook Bay, and San Mateo timber may well have exceeded that amount. By 1871 Chapman had purchased over a million acres of California real estate, using half breed scrip and the agricultural college scrip that Steele began providing in the late 1860s. He and Steele were also working on a deal with Southern Pacific Railroad for 300,000 acres. Public lands historian Paul Gates estimated that Chapman was “the greatest of all the speculators operating in California.” Steele’s share of Chapman’s vast holdings is impossible to determine, but the partnership of almost 20 years was undoubtedly extremely lucrative.
half breed scrip had flowed almost entirely to white Minnesota businessmen, just as the 1854 legislation that created it had intended.55

In 1868 Franklin Steele filed a claim of $162,000 for the government’s use of Fort Snelling during the Civil War. Two years later, after war department and congressional investigation, Secretary of War William W. Belknap settled the account and deeds 6,394.8 acres of the Fort Snelling reserve.56 The entrepreneur finally had clear title to the land he had purchased in 1858 for the site of a great metropolis, but it was too late. By 1870 Minneapolis and St. Paul were firmly established as Minnesota’s leading cities.

With the western operation wrapping up and Steele’s dreams for Fort Snelling unfulfilled, his partner Welles began furnishing and guaranteeing half breed scrip to the Lake Superior and Puget Sound Company in 1870. More than 7,000 acres of this scrip were used to obtain town and bridge sites for the Northern Pacific Railway Company in advance of government surveys. Two years later, Steele and Welles combined their profits with funds from their new partners at Northern Pacific to form Northwestern National Bank of Minneapolis, capitalized at $200,000 (about $3.5 million today). Welles would serve as its president from 1875 to 1887 as it expanded to dominate the region’s financial markets.57 The bank that became the backbone of the financial empire of the northwestern United States could trace its initial capital to the inmates of the Fort Snelling prison camp. The banished Dakota had given up their lands for federal annuities, lost their annuities and reservation in a desperate war, and then, finally, helped finance the explosive growth of white civilization with their only remaining resource—their scrip.  

Notes


There was no legal right to preemption on surveyed land in Minnesota—for soldiers or civilians—until 1854. Furthermore, since a sutler’s position and likely profits depended on the decisions of the commanding officer, Steele would not have dared to cut Plympton out of the falls unless he was confident of protection in Washington. At the auction, Sibley was the agent for the St. Paul settlers.


5. Here and below, Folwell, Minnesota, 1: 503–15; Select Committee to Investigate . . . the sale of the Military Reservation, Fort Snelling Investigation, 35 Cong., 1 sess., House Report 351 (1858).

6. Folwell, Minnesota, 2: 76–79. E. B. Alexander to Steele, Dec. 30, 1861; ration books, 1861–62; sutler accounts, 1862–63—all Franklin Steele Papers, MHS.

To alleviate public suspicion that Steele had unfair influence throughout the two wars, other contracts were awarded to suppliers who then sold the contract to Steele or one of his associates. See, for example, sales contract, Frank Hanks, May 2, 1863, and Steele accounts with J. M. Eustis, John Prince, and George Brackett, Steele papers; contracts, U.S. War Dept., Subsistence Dept., Minnesota District Records, 1859–74, MHS; George A. Nourse to Friend Washburne, Mar. 24, 1862, Fort Snelling Papers, MHS.


8. John G. Nicolay to Hon. E. M. Stanton, Aug. 27, 1862, Minnesota in the Civil and Indian Wars, 2: 202; ration account.
book, 1862–63, Steele papers; Gilman, Sibley, 173.


13. Ellis, General Pope and Indian Policy, 21; Carley, Dakota War, 20. Carley, “Judge Lochren, May 9, 1904, notebook 82, William Watts Folwell and Family Papers, MHS.

14. Memorial from Sioux half and quarter breeders to Pope, Sept. 25, 1862, Minnesota in the Civil and Indian Wars, 2: 270, 273–74.


17. Sibley to Pope, Oct. 11, 13, 1862, Minnesota in the Civil and Indian Wars, 2: 273–74.

18. Pope to Halleck, Nov. 20, 1862.

19. St. Paul Weekly Pioneer and Democrat, Nov. 14, 1862, p. 2, 3; Pope to Halleck, Oct. 9, 1862; ration books, 1862–63, Steele papers; Ellis, General Pope and Indian Policy, 25–29. See also the many contracts, letters, and financial journals for 1863, Steele papers.


22. Memorial from Sioux half and quarter breeders to Pope and Halleck, Oct. 22, 1862, Minnesota in the Civil and Indian Wars, 2: 270–74.


24. Rice to Col. Sam Hollis, June 29, 1860, Rice papers; Folwell, interview of Judge Lochren, May 9, 1904, notebook 82, Folwell papers.


27. Anderson and Woolworth, eds., Through Dakota Eyes, 234.

28. Williamson to S. B. Treat, Nov. 28, 1862, American Board of Commissioners for Foreign Missions (ABCFS) correspondence, MHS.


31. J. B. Renville to Riggs, Jan. 30, 1863, Riggs papers; Williamson to S. B. Treat, Mar. 17, 1857, ABCFS correspondence; Bell, “Hazelwood Republican,” 4; Register of Sioux Half Breed Scrip Entries, Red Wing Land District, U.S. land office (Henderson), State Archives, MHS.

32. Sibley to Riggs, Mar. 14, July 8, 1862, Feb. 8, Mar. 6, Mar. 30, 1865 (concluding long-term sales), Riggs papers.


To track use of scrip, see General Land Office, Bureau of Land Management records of land patents for Nevada and


38. Gilman, Sibley, 195; Anderson and Woolworth, eds., Through Dakota Eyes, 275–78; Sibley to Riggs, Feb. 8, 3, Mar. 30, 1865, Riggs papers.


44. Chapman’s scrip expenses, Nov. 10, 1863–Sept. 1, 1865, and Chapman to Steele, Aug. 31, 1864, Steele papers; Rosalie (Rosalie) Moores, GLO-BLM.

45. Welles to Steele, Feb. 23, 1865, Steele papers.

46. Chapman to Steele, June 22, Nov. 25, Dec. 30, 1864, and Van Arman, Britton & Gray to Steele, May 9, 1866—all Steele papers.


50. Chapman to Steele, June 22, Nov. 25, Dec. 30, 1864, and Van Arman, Britton & Gray to Steele, May 9, 1866—all Steele papers.


53. Godfrey and Sillem and Co. to E. C. Williams, Mar. 29, 1867, June 17, 1867, and E. C. Williams to Godfrey and Sillem, Nov. 9, 1867, Union Lumber Company Records, Bancroft Library, University of California, Berkeley. See GLO-BLM for LaBathe and Milor.


56. Folwell, Minnesota, 1: 515.


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