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The Oregonian

Rail scam tainted lots of officials Third of three parts

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Ned Harriman wasn't the type to let a little thing like the U.S. government stand in his way.

A consummate wheeler-dealer, especially in railroads, Harriman was widely recognized as a force unto himself in high finance in an age when government corruption was commonplace.

"This was a time in America when U.S. senators were bought like horses or cattle at auction in state legislatures, which had constitutional authority to name the solons," says Joseph S. Miller in "Saving Oregon's Golden Goose, Political Drama on the O&C Lands."

Harriman's 1887 takeover of the Oregon and California Railroad by his Southern Pacific included not only the government grant of 3.7 million tree-laden acres, but bought-and-paid-for U.S. Sen. John H. Mitchell of Oregon.

Harriman "took over his predecessors' investment in Senator Mitchell, backed him up with clever and crooked lawyers, and set out to circumvent the 1866 and 1869 O&C statutes," Miller wrote in his book.

Those timbered expanses "were not to be 'given away' to settlers -- 160 acres at a paltry \$2.50 per acre as the law dictated -- when they could command many times that in the booming marketplace for lumber."

To that end, Harriman put to work Stephen A. Douglas Puter, self-styled "King of the Land Looters."

"Puter quickly put the politicians in his pocket, fully financed by SP bribe money," Miller says. "The mere list of those involved in the land fraud is absolutely staggering: both of Oregon's U.S. senators, its congressmen, the General Land Office commissioners and all of the General Land Office's Oregon agents, the U.S. attorney and the U.S. marshal (who was also state Republican chairman), the U.S. surveyor general and an endless collection of lesser functionaries."

It worked like this: Puter, or one of his minions, recruited some needy soul from skid road or a saloon, escorted them to the Portland Land Office, where that man's hand was guided in filing a 160-acre tract. The filer signed over his "homestead" for payment as scant as a bottle of booze, the local land office forwarded the papers to Washington for rubber-stamping in Southern Pacific's name.

Harriman then sold "his" timber, as he called it, to the highest bidders.

In 1901, Theodore Roosevelt and his trust-busting house cleaners took over the White House and soon got word of Harriman's schemes.

There were many ensuing moves and countermoves in the course of which, says Miller, Harriman made two grievous mistakes -- he cut off the sale of "his" timber, financially squeezing and infuriating Oregon lumber towns, and he fired Puter.

The former prompted a lumber company bookkeeper to give The Oregonian evidence of Harriman's malfeasance, whereupon the newspaper launched a scathing expose. Puter, meanwhile, highly offended by his employer's rebuff, gleefully turned stoolie.

Indictments followed, 1,032 in all -- "the greatest case of wholesale corruption in the U.S. history," Miller says. Prosecutor Frank Heney whittled those down to the most egregious 35.

Thirty-four were convicted, among them Mitchell, who died before he could be sentenced; Rep. Binger Hermann; U.S. Attorney John H. Hall; Henry Mildrum, Oregon surveyor general; plus "a seemingly endless list of judges, mayors, lawyers and company presidents."

The government also sued and ultimately got most of the O&C Lands back, about 2.4 million acres. Later timber sales from them would for decades buoy the 18 western Oregon counties wherein they lie. They are still the subject of congressional debate over how much timber should be cut and how long payments should continue.

"Saving Oregon's Golden Goose" is mostly a tongue-in-cheek account of the saga by Miller, longtime lobbyist for the Association of O&C Counties, with additional interviews with three O&C lands defenders -- former U.S. Sen. Mark Hatfield and former Reps. Robert Duncan and Wendell Wyatt. It was published in 2006 by Portland's Inkwater Press for the Association of O&C Counties.

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