

Russell Sage, financier

By Michael Sol

Russell Sage, more than anyone else, financed the construction of the early Milwaukee Road. He set up companies and held the stock. He organized construction companies to build the track for the railroad companies he owned. He sold the stock and bought the bonds. Then, when bad times came, as the bondholder, he foreclosed and got his companies back, or bought out their assets by yet another railroad company he had organized, leaving the old one with the debt. He was on all sides of any given railroad transaction, and seemed to be involved in most of them in Wisconsin, Minnesota, and Iowa, at some point. He financed Alexander Mitchell, and they remained business associates throughout Mitchell's life. Sage's attorney, John Cary, was the Milwaukee Road's able general counsel until his death in 1893.

Sage did all of this in the 1850's, 1860's, and 1870's on his own. He had no bank, no investment house. His office, until he was thrown out, was the Milwaukee Road's in New York City. He was an early and influential advocate of the "Pacific Railroad" and it appears that his activity in Wisconsin was clearly anticipating that the eastern terminus would be the Milwaukee, or one of its predecessors. When the Union Pacific got the nod, Sage was there, and reaped millions. He was Jay Gould's financier throughout Gould's career. He was a founder of the New York Central and controlled the powerful Western Union. He let the world think he was so miserly that he dined on a simple apple for his daily lunch. In secret, he went to the Western Union offices where he enjoyed a large buffet put on each day for Western Union officers.

Sage's reputation, while alive, was pretty much the same as after his death: a miser, unscrupulous, penny-pinching, ungenerous. He had married his childhood sweetheart, and was heartbroken when she died. His second wife destroyed all tangible memory of Sage's first wife, and Sage's memory of her as "beautiful" is all there is to suggest that she was. Sage had a wit and wisdom about him, and a stabbing sense of humor. His second wife would begin to complain about something, and Sage would begin to reminisce about the beauty of his first wife, sending the second away in tears. She was ever insisting on charitable works, but, oddly could not abide the presence of small children. Sage could not stand charitable works, at least any that gained any publicity, and they forever battled over her random charitable gifts. On the other hand, to compensate for her dislike of small children, he began to enjoy their company, and on his birthday every year, Sage invited 1,100 small children to a railroad party. Naturally, it did not cost him a cent. The New York Central, of which he was a director, supplied the equipment, and the Western Union, of which he was the primary owner, bought the ice cream. Sage reveled as his wife spent the day surrounded by small children she could not tolerate. Sage had an affection for cats, and had seven of them. In response, Mrs. Sage decided she like dogs, and bought six of them.

When Sage died, July 22, 1906, he was worth \$100 million. On his own, without ever being associated with a brokerage "house" or any kind of financial organization, he was one of the wealthiest financiers in America. J.P. Morgan died a few years later with considerably less. Sage was, first, last and always, a railroad financier, and his most active period was the early Milwaukee Road. When he died, he

was the last titan from the Milwaukee Road's early years to pass on, even though litigation from those years still pursued him. Stockholders of the Hastings & Dakota Railroad, a Milwaukee acquisition in 1880, sued Sage in June, 1905 to recover 70,000 acres of Minnesota land grant that they alleged Sage had converted to his own use.

The Sages had no children, but a plethora of nieces and nephews. In his Will, they received token amounts. The rest, he left to his wife, as "she would know what to do with it." She had her revenge. She started a foundation, dedicated to all the charitable things her husband had refused to do in life, and it exists to this day. And she did not name after herself. Her best, last, revenge was naming it "The Russell Sage Foundation."