

Financiers and Farmers: The Urban Roots of Rural Dutch Communities in the Upper Midwest

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Dispelling myths and misconceptions about rural history can be a full time job. To many, the Midwest conjures up tales of Lake Wobegon and Powdermilk Biscuits, or the anomaly of a business-suited gentleman farmer sitting erect at the controls of an ancient Fordson tractor. Those contemplating the morose side of life might prefer to contemplate the madness of Ole Rolvaag's *Giants in the Earth*. Small town foibles and the rigors of pioneer life make good caricatures. However, their creation both distorts the past and erases any accurate definition of contemporary America's origins. In truth, America sprang from small towns and family farms. Just a generation or two separates most urbanites from their rural village roots, either in America or overseas.

One rural Midwestern village, Leota, Minnesota, is located in the northwest corner of Nobles County, about two hundred miles southwest of the Twin Cities, forty miles northeast of Sioux Falls, South Dakota, and fifty miles north of the Dutch communities of Sioux County, Iowa. Like many rural villages, Leota is aging and shrinking. There are fewer hands to do the constant work. Until a few years ago a Chevrolet dealership anchored the business district. The post office no longer sells stamps all day long, but the gas station and café still serve the community. The local grocer continues to custom butcher and a town mechanic fixes radiators for a reasonable price. Farmers still sell their grain at a locally owned elevator and on hot summer nights the local park hosts softball games under the lights. The annual 4th of July celebration survives on a scaled

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down basis. Finally, Leota exhibits two vital life signs of Dutch American ethnicity—the local Christian school and two churches, one Reformed and the other Christian Reformed.

The understandable sadness from witnessing the decline of old traditions is no excuse for nostalgia. Hard headed decisions created places like Leota—calculations rendered in pencil on scraps of paper held by immigrant hands, charters awarded in legislative halls, and quarterly reports reviewed in corporate boardrooms stretching from Minnesota to Manchester, England. Economics played a major role in the story, as did religious faith. Leota's settlers sought economic gain for two purposes—to support churches and to place sons on the land. For three generations the formula worked very well. Subsequently the economic dynamism changed, but the cultural glue endured into a fourth generation. If the world were a rational place, Leota never would have existed. The pounding side rods of steam locomotives never rattled the village windows. Hamlets created around a church rather than a depot defied the logic of urban planners and railroad land agents.¹ Leota seemingly appeared out of nowhere in 1891, formed by a church, a blacksmith shop, and a grocery store.

Creation myths mirror the societies that created them. Rooted in fact and encrusted with accretions, they serve as totems marking a community's boundaries. Leota's birth story involved the arrival of Dutch-American settlers. But the site they chose for their homes was not a blank slate. Their choice forged another link in a financial chain that stretched far beyond the surveyor's monuments marking the corners of their new farmsteads. Leota's financial pedigree illustrated how urban planners created rural realities during the 1880s and 1890s.

During the spring and summer of 1885 people living along the Southern Minnesota Railway frequently spotted lumber laden flatcars heading west. Scattered among the more workaday carloads fire engine red banners shouted in bold print, "Another Carload of Lumber Headed

¹The best summary on how railroad companies guided the construction of town in the Midwest is to be found in John C. Hudson, *Plains Country Towns* (Minneapolis: University of Minnesota Press, 1985). Hudson devotes one chapter "Inland Towns" to places like Leota, townsites that developed independent of the railroad companies (26-38).

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for the Great Pipestone Country.” This Barnumesque touch of hucksterism promoted the Britain-based land development firm of Close Brothers & Company. During the ensuing months this land company placed advertisements in Dutch language newspapers to promote a new Dutch colony in southwest Minnesota.² Several buyers arrived from Dutch settlements in Wisconsin, Illinois, and, Iowa. A town named Holland arose in Pipestone County to honor the new arrivals. But poor soil conditions stunted Holland’s growth.³

On December 12, 1889, three Dutch American men, Martin Kallemeyn and John Kreun, from Hospers, Iowa, and Geert E. Dyksterhuis from Newkirk, Iowa, strode into the offices of Close Brothers & Co. located in the Syndicate Building on Pipestone, Minnesota’s Main Street, an impressive structure of red Sioux quartzite. Kallemeyn and his colleagues arrived to purchase land in the northwest corner of Nobles County, about twenty miles south of Holland. Dyksterhuis bought 160 acres, Kallemeyn 200 acres, and Kreun 240 acres. The prices ranged between \$9.40 and \$10 per acre. Two weeks later Kreun returned for another 80 acres, accompanied by his brother Lourens and Henry Brink. They signed for 80 and 150 acres respectively for \$10 per acre.⁴

These land purchases marked the beginning of Dutch settlement in the Edgerton-Leota-Chandler area, an enclave that retains a self-conscious ethnic identity. Martin Kallemeyn’s move to southwest Minnesota was not spontaneous. He came with compatriots exploring new options. Within a few months two other northwest Iowa bankers, William Rieckhoff and

²The only scholarly work in print on the Close Brothers land company is Curtis Harnack, *Gentlemen on the Prairie* (Ames, Iowa State University Press, 1985). Lew Hudson, “Close Brothers: Corporate Developers of the Family Farm,” *Worthington Daily Globe*, 21-23 October 1974, is an excellent popular account of the company’s activities in southwestern Minnesota.

³Peter Daane Jr., of Oostburg, Wisconsin and John Gysbers of Waupun, Wisconsin each purchased a quarter section of land from Close Brothers during the summer of 1886. Rev. Henry Straks, a minister in the Reformed Church in America served as a witness to Gysbers’ contract. In the following weeks several other men from the old Wisconsin settlements purchased land in northern Pipestone County. During August 1886 at least four families from Sioux County, Iowa joined the colony. See Contracts 773, 799, 919, 921, 923, 924, 925, and 1069 in Close Brothers Land Company Contract Files, Pipestone County Historical Society Collections [PCHS], Pipestone, Minnesota.

⁴Contracts 1953, 1954 [PCHS].

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Henry Hospers, began accumulating tracts from Close Brothers & Company's inventory. Hospers was the grand old man of the Sioux County Dutch colony, the founding father who led the first expedition to the area and later represented the region in the Iowa State Legislature. Kallemeyn paid less for his land than anyone else in the first group of buyers, generally a sign that he had agreed to act as an agent for someone else.⁵

Kallemeyn planted a grove of cottonwood trees on his farmstead, a line of trees that still stands in the village of Leota. Over time he convinced other Dutch settlers to join him in Nobles County. By the early 1890s Leota sported the certain sign of a thriving colony, two churches from the rival Reformed and Christian Reformed denominations warily confronting each other across the village's only street and separately maintaining their respective halves of the town cemetery. However, Leota, an inland town, lacked railroad service. The settlers trekked to another town for railroad service—Edgerton, a Yankee town founded in 1879, located about six miles to Leota's northwest. In the Midwest depots and elevators served as the indispensable nodes of commerce. Dutch settlers purchased land in the sections lying between Leota and Edgerton. By 1902 Edgerton had a Christian Reformed congregation, joined by a Reformed church in 1906. C. S. Howard, the Edgerton's elevator owner and real estate mogul, encouraged these institutions by donating town lots and cash for the church buildings. Even Martin Kallemeyn joined the mini-migration, buying a farm west of Edgerton during the early 1900s.

This scenario conforms to the conventional small town development pattern: small town bankers begetting other small towns on vacant land over the line in another state. So, where are the urban influences? Tracking Kallemeyn's payments across a series of ledgers provides the answer. Following the money will highlight one distinct truth of American history: the solitary pioneers were not alone on the frontier. In truth no man was an island, not even the grizzled settler. Kallemeyn's

⁵During October 1890 William Rieckhoff and C. R. Rieckhoff bought well in excess of 1000 thousands acres from the Close Brothers Company. Henry Hospers purchased more than 300 acres between December 1890 and June 1891. See contracts 2164-2166, 2201-2204, 2206, 2212-2213, 2426 for Rieckhoff and 2228-2229, and 2434 for Hospers (PCHS).

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money did not stay in Leota, or Pipestone. The land he bought and the capital it represented had passed through several hands before his plow finally broke the sod. Ultimately Martin Kallemeyn received his land from financiers who never laid eyes on Nobles County.

Martin Kallemeyn came to Nobles County to reconnoiter for Orange City capitalists. William Rieckhoff, in particular, invested heavily in lands purchased from Close Brothers & Company. This firm had been in the real estate business in Iowa, Kansas, and Minnesota since 1880. In 1884 they agreed to move their headquarters to Pipestone, Minnesota. In exchange for a generous donation of town lots, the Close brothers used their influence to bring more railroads to Pipestone, build impressive commercial structures on the town's main street, and engage in an extensive advertising campaign to boost land sales.⁶ At first they envisioned themselves as country squires living on rents. This was a common idea in Minnesota during the 1870s and 1880s. British gentlemen, St. Paul bankers, and Chicago haberdashers staked their futures on farm rental properties in the southwest corner of Minnesota.⁷ But American farmers embraced ownership over tenancy. So the Close brothers started to sell land on contract. They erected dozens of houses on their tracts, as well as stables and granaries, so that would-be settlers lacking the skills or desire to build their own homes could purchase ready made farmsteads, for a modest increase in price. This also lured settlers away from the government's free homestead sections.

The Close brothers arrived in America with money in their ample pockets, the sons of a British banker from Manchester on the prowl for investment opportunities, a place to hone both their managerial and polo skills. James, William, and Fred came to the Great Plains to live a life of passionate indolence. While they dabbled in real estate sales, they built an estate for themselves near LeMars, Iowa. Their polo team played a few

⁶Arthur P. Rose, *History of Rock and Pipestone Counties*.

⁷Horace Thompson, the president of the First National Bank of St. Paul invested in thousands of acres in Rock County, Minnesota. Thompson also financed the platting of the town of Edgerton. The Wilson Brothers, Chicago men's clothiers, bought a large tract of land in Murray County hoping to make a profit in the cattle business. The death of one of the brothers ended this experiment, the land being sold to the Dutch-American real estate dealer Theodore F. Koch. Koch replatted and developed the townsite of Lake Wilson.

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chuckers against a team from St. Paul, prevailed, and laid claim to the United States national championship. Meanwhile, back in England, the Close family convinced wealthy Scottish lairds that Minnesota was the ideal destination for idle cash. In exchange for their investment capital, the lairds won the right to name townsites. Names like Kinbrae and Dundee appeared in the Minnesota gazetteer. Lord Airlie purchased a townsite on the Minnesota-Dakota border. Oblivious to the commerce provisions of the Constitution, Lord Airlie believed his namesake town would soon develop into a commercial hub as traffic paused to pay the inevitable border duties, as it had once been in the petty, robber baron principalities along the Rhine.

Hence, the Close brothers used Scottish money funneled through a Manchester bank to build farm houses on the Minnesota prairie, near towns named for far off noblemen, designed to attract settlers, such as Dutch immigrants from Wisconsin and Iowa.

Time proved that the Close brothers were not very good businessmen. One of their rivals in the colonization business diagnosed their problem as a lack of financial self-restraint.⁸ The colonization business required more than razzmatazz advertisements, red quartzite office buildings and connections to the inner sanctums of bank boardrooms in Manchester. Colonization required cost management. Profit margins dwindled before polo ponies and palatial estates. The Close brothers inability to control their living expenses doomed their business. When the land business experienced a down turn in 1888, they quickly succumbed to cash flow difficulties. In the face of an economic pinch, they opted to return to England, relying on local agents to unload the unsold inventory. Rieckhoff and Hospers stepped into the breach. They loaned money to people like Kallemeyn and Kreun to buy the land from Close Brothers & Company. Close Brothers then paid their expenses to Scottish capitalists, lumber companies, carpenters, administrators ensconced in Pipestone and Chicago, and the plow gangs that rendered the land arable.

Before there was cash, there was the land. Before the Close brothers brought their polo ponies and lordly dreams to Minnesota the

⁸“Interview with Theodore F. Koch,” unpublished typescript in the collection of the Minnesota Historical Society [MHS].

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land belonged to the Southern Minnesota Railway Extension Company.⁹ The state chartered this company to build a line across the state's southern tier of counties. As was customary, the state promised the company six alternating sections of land on either side of the right of way, if locomotives moved along the tracks to the Dakota border. In addition several towns along the right of way promised cash subsidies, if the railroad deigned to run tracks through them. All of this had to be completed by January 1, 1880.

The Southern Minnesota Railroad was the big dream of local men with small pockets. They hoped to build the road as cheaply and quickly as possible to secure the brass rings of land grants and cash bounties. Since achieving statehood in 1858 Minnesota implemented a master plan for a statewide railroad network. Most of the tracks radiated from St. Paul and Minneapolis, the home of regional banks and political power brokers, like Henry H. Sibley and Horace Thompson. Sibley served as governor, congressman and railroad promoter. Horace Thompson owned the biggest bank in town. Together they gained control over most of the railroad projects in the southern and western regions of the state. Most, but not all. Unable to win control over the Southern Minnesota, they employed their influence to make the company build along a more expensive right of way through the glacial ridge that separated the Mississippi and Missouri watersheds. They also challenged the Southern Minnesota's land grants since Sibley and Thompson owned parallel lines with land grants overlapping those of the Southern Minnesota.¹⁰

A small town banker from southeast Minnesota controlled the Southern Minnesota's charter. Flanked by two lines owned by wealthier and better connected entrepreneurs, and forced to follow a more expensive right of way, the Southern Minnesota foundered financially during the economic difficulties of the 1870s. When capital dried up, construction halted. Hard times and looming deadlines compelled the local owners to seek outside help, assistance granted by Milwaukee's biggest banker,

⁹The most thorough examination of the Southern Minnesota Railway Extension Company is Richard James Palmer, "A Study of the History of the Southern Minnesota Railroad" (M.A. thesis, St. Cloud State University, 1962), in the collection of the MHS.

¹⁰John C. Luecke, *The Chicago and Northwestern in Minnesota* (Eagan, MN: Grenadier Publications, 1990).

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Alexander Mitchell. Mitchell controlled the Chicago, Milwaukee, and St. Paul Railroad Company. Through the Milwaukee Road he already controlled a line to La Crosse, Wisconsin, the Southern Minnesota's link to the east. Mitchell had cash, for a price-control over the Southern Minnesota Railway. His will prevailed; in 1878 work resumed on the Southern Minnesota. William C. Van Horne came to the prairie from Chicago oversee construction. He drove the crews to finish the track to the Dakota border before the end of 1879 so that the company qualified for a bounty from the city of Flandreau, Dakota Territory. The city's offer required that a locomotive arrive in town by January 1, 1880. When a November snowstorm blocked the tracks to the east, Van Horne ordered that the existing tracks be dismantled and hauled to the western end of the line and set in place, so that the locomotive could proceed westward. With much fanfare the locomotive arrived in Flandreau on the appointed day; the company collected its money. Unfortunately the train could not return to the east until spring melted the snows blocking the tracks preventing delivery of rails from the east.¹¹ By then Van Horne was on his way to Canada to become the general manager of the Canadian Pacific Railroad Company. Having conquered the Buffalo Ridge of southern Minnesota he was ready for his next challenge: the Rocky Mountains.

Alexander Mitchell dreamed of a railroad that would link Milwaukee to the west, placing his city in a position to challenge Chicago for supremacy in the shipping business on the Great Lakes.¹² This grand scheme outstripped his personal resources. All the bankers in Milwaukee combined could not afford to build a railroad deep into the prairies. So Mitchell looked to the east for more capital to build his dream. During the 1870s he looked to Wall Street, the only possible source of funds adequate to his designs. Wall Streeters agreed to help Mitchell in exchange for seats at the board of directors' table. Mitchell located a financial angel willing to pluck him from the clutches of the worst Wall Street vultures: Gould,

¹¹"Rails Across the Prairie," *Coteau Heritage: Journal of the Pipestone County Historical Society* (August 1990).

¹²For the history of the various components of the Milwaukee Road company see: August W. Derleth, *The Milwaukee Road; Its First Hundred Years* (New York: Creative Age Press, 1948), John C. Luecke, *Dreams, Disasters, and Demise: The Milwaukee Road in Minnesota* (Eagan, MN: Grenadier Publications, 1988), and Richard S. Prosser, *Rails to the North Star* (Minneapolis: Dillon Press, 1966).

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Vanderbilt, and Drew. Only one family commanded such prodigious wealth. Mitchell's seraph was William Rockefeller, brother and partner of John D. Rockefeller.¹³

By the late 1870s, William sat on the boards of several major corporations as the representative of his own business interests, as well as those of his brother. As abstemious, sanctimonious, and reclusive as John D. was, William was a public man—a glad hander and back slapper, the florid, public face of the shadowy Standard Oil empire. In the grand scheme of things, the Rockefeller investment in a modest Minnesota railroad project meant little beyond a potential return on some otherwise idle cash. Railroad lines represented the nineteenth century's technological cutting edge, the vital commercial link of the period. Every other business in the nation depended on the rail network for access to markets and resources. It was natural for the Rockefellers to take an active interest in this expanding network. And so it came to pass that the Rockefellers played a crucial role in the settlement of southern Minnesota.

Upon its completion the Southern Minnesota Railway gave the Milwaukee Road over a million acres of land, a portion of which lay in the northwest corner of Nobles County. The railroad hired an English land company, Close Brothers & Company, to sell these unoccupied Minnesota lands to settlers. Close Brothers' agents recruited settlers from among the Dutch of Northwest Iowa. One of those settlers, Martin Kallemeyn, purchased the piece of ground upon which Leota, Minnesota arose in 1891. His presence, underwritten by Orange City bankers, attracted still other Dutch settlers, so that by 1895 there were two Dutch churches in the inland town.

Martin Kallemeyn's move to Minnesota fulfilled two dreams. The first one was his own—he wanted to farm, set up his sons as farmers after him, and attend a Dutch Calvinist church. The second dream belonged to people like William Rockefeller and Alexander Mitchell—they wanted Minnesota farmers to buy company land to produce crops that would be shipped from company towns to Milwaukee. When Martin Kallemeyn's

¹³For a description of the relationship between the Rockefeller brothers and William's business activities see Ron Chernow, *Titan: The Life of John D. Rockefeller* (New York: Random House, 1998), 102-04, 220-21. Also Peter Collier, *The Rockefellers: An American Dynasty* (New York: Holt, Rinehart, and Winston, 1976), 19.

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dream of being a Minnesota farmer met William Rockefeller's dream of
being an urban financier on Lower Broadway, Leota was born.