HISTORY

TEAPOT DOME SCANDAL

The Teapot Dome Scandal of the 1920s shocked Americans by revealing an unprecedented level of greed and corruption within a presidential administration. The scandal involved ornery oil tycoons, poker-playing politicians, illegal liquor sales, a murder-suicide, a womanizing president and a bagful of bribery cash delivered on the sly. In the end, the scandal would, by legal precedent, empower the Senate to conduct rigorous investigations into government corruption. It also marked the first time a U.S. cabinet official served jail time for a felony committed while in office.

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Before the Watergate Scandal, the Teapot Dome Scandal was regarded by the public and historians alike as the most sensational example of high-level corruption in the history of U.S. politics.

Albert Fall, a former Secretary of the Interior, was charged with accepting bribes from oil companies in exchange for exclusive rights to drill on federal land. The sites included land near a teapot-shaped outcrop in Wyoming known as Teapot Dome, and two other federally-owned sites in California, Elk Hills and Buena Vista Hills.

TEAPOT DOME: FOR EMERGENCY USE ONLY

The oil reserves at Teapot Dome and in California had been set aside at the request of the U.S. Navy, which had been converting coal-fueled ships into oil-powered vessels since 1909.

As more ships were converted to run on oil, Navy officials wanted to ensure there would be enough oil at hand in the event of a war or other emergency. Under President William Taft, Congress began to set aside federal lands believed to contain oil as emergency reserves.

In 1920, Warren G. Harding, a senator and Ohio newspaper publisher, won a long-shot bid for the White House with the financial backing of oilmen who were promised oil-friendly cabinet picks in return. As Laton McCartney wrote in his book *The Teapot Dome Scandal, How Big Oil Bought the Harding White House and Tried to Steal the Country*, the back-slapping Harding was a consummate "go along to get along man."

ALBERT FALL

Despite making backroom deals with oil interests, Harding—a known womanizer who fathered a child with one of his mistresses

—campaigned on a platform of balancing the interests of conservation and development. There was much debate at the time between the merits of conserving natural resources and permitting industry to tap into the nation's wealth.

But once Harding appointed Senator Albert Fall from New Mexico as Secretary of the Interior in 1921, it was clear Harding would tip the scales in favor of development.

Fall was a politically powerful senator, rancher, lawyer and miner who, like Harding, enjoyed a game of poker with a glass of whiskey—Prohibition notwithstanding. Fall soon convinced Harding to transfer oversight of the petroleum reserves from the Navy to the Department of the Interior.

After the transfer of the oil-rich land holdings was completed, Fall started secret negotiations with two of his wealthy friends in the oil industry.

In 1922—without competitive bidding or any public announcement—Fall leased exclusive drilling rights to the entire Teapot Dome site to the Mammoth Oil Company, owned by Harry Sinclair. Fall also leased the two reserves in California to the Pan-American Petroleum Company, owned by Edward Doheny, another old friend of Fall's.

OIL BARONS HIT A GUSHER

Combined, the three sites were estimated to contain hundreds of millions of dollars worth of high-grade oil. In return, the oilmen were to fulfill only minor obligations to the federal government, such as constructing an oil storage facility at the naval base in Pearl Harbor, Hawaii, and building a pipeline from Wyoming to Kansas City.

By April 1922, rumors of a shady deal began swirling after local Wyoming oilmen noticed trucks with the Sinclair logo hauling oilfield equipment up to Teapot Dome. The *Wall Street Journal* broke the news about the deal in an April 14, 1922, article.

The very next day, Wyoming Democratic Senator John Kendrick introduced a resolution to open a Senate investigation into the dealings, and one of the most significant criminal probes in Senate history was set in motion.

PAYING OFF THE PRESS

At the same time, Fall was contending with another oilman and Harding supporter, Col. James G. Darden, who claimed he had first dibs on the Teapot Dome site before Fall leased it to Sinclair.

In a desperate move, Fall convinced a reluctant President Harding to dispatch the U.S. Marines to halt Darden's efforts to drill at the site. When the publishers of the *Denver Post* got whiff of the confrontation, they publicized the incident and used threats of further withering editorials about Teapot Dome to blackmail Sinclair into paying $1 million to them and another oilman who also felt cheated by the Teapot Dome lease.

President Harding, wary of more bad press, may also have played a part in pressuring Sinclair to pay off the *Post* publishers and the oilman.

THE OHIO GANG

By January 1923—less than two years after taking office—Fall stepped down as Interior Secretary to enjoy time on his newly purchased ranch in New Mexico, as well as take part in lucrative oil deals in Russia and Mexico for both Doheny and Sinclair. But the Senate investigations into Teapot Dome continued.

President Harding, at the time, was apparently feeling the weight of anxiety around Fall's possible corruption. Other members of Harding's cabinet, which had become known as the "Ohio Gang" for their Ohio roots and scandalous dealings, were facing numerous accusations of corruption, including influence peddling and selling permits to market liquor from government warehouses.

At one point, Harding remarked to newspaper editor William Allen White, "I have no trouble with my enemies. I can take care of my enemies all right. But my damn friends, my god-damned friends, White, they're the ones who keep me walking the floor nights!"

'A GREAT SCANDAL'

In June 1923, Harding set off on a cross-country tour that included a first presidential visit to the state of Alaska. While on the four-day boat voyage to Alaska, Harding remarked to Commerce Secretary and future President Herbert Hoover, "If you knew of a great scandal in our administration, would you for the good of the country and the party expose it publicly or would you bury it?"

Hoover said he advised the president to expose it, but Harding declined, fearing political repercussions. Harding himself had personally approved Fall's plan to lease the oil reserves (although he may not have paid much attention to what he approved).

Harding may also have benefitted from the dealings: Just before Harding departed on his cross-country trip, Harding accepted a suspiciously high offer to buy the *Marion Star*, Harding's hometown newspaper, in a deal that some believed was orchestrated by Sinclair.

Harding and his wife also told friends about a year-long, all-expenses-paid cruise around the world they planned to take, along with some 50 of their friends, once Harding's four-year term was over. That cruise had likely been promised by Sinclair and was to take place on Sinclair's luxury yacht.

But Harding and his wife would never take advantage of their new windfall nor enjoy an elaborate, post-presidency cruise. Upon returning from the Alaskan cruise, Harding began suffering from cramps and shortness of breath. On August 2, 1923, Harding died at age 57 in San Francisco's Palace Hotel. The cause of death was listed as a stroke, but some doctors suggested a heart attack was the more likely cause.

A BLACK BAG OF CASH

Under the new leadership of President Calvin Coolidge, two special prosecutors, one Democrat and one Republican, were appointed to take over the Senate investigation into Fall's oil deals.

Soon the investigation would reveal that Fall had received a $100,000 interest-free "loan" from oilman Doheny to purchase land for his New Mexico ranch. As Doheny admitted in a statement to the Senate, Doheny had arranged for his son, Ned Doheny, to deliver the cash—arranged in five $20,000 stacks in a black parcel bag—directly to Fall, accompanied by Ned's friend, Hugh Plunkett.

In similarly suspicious dealings, investigations would show that Sinclair delivered a large herd of livestock to Fall's ranch, and had his company transfer some $300,000 in Liberty bonds and cash to Fall's son-in-law. While these were enormous sums in the 1920s, the amounts paled in comparison to the hundred of millions of dollars the oilmen would profit from the oil leases in Wyoming and California.

In his testimony to the Senate, Fall claimed that he had chosen to keep the lease agreements secret to protect the locations of valuable national resources, and to prevent oilmen from surreptitiously draining the federal sites via adjacent production operations.

Walsh and his Senate investigators, however, would have none of it. In the fall of 1929, Fall was convicted of accepting a bribe from Doheny and was fined $100,000 and sentenced to one year in prison.

GREYSTONE MURDER-SUICIDE

Doheny was acquitted of offering the same bribe, since both he and Fall had claimed the amount was simply a loan. But Doheny had little reason to celebrate.

Before the rulings came down, Doheny's son, Ned, was murdered in February 1929 in the family's luxurious new Beverly Hills mansion, Greystone. An investigation concluded that the killer was his longtime friend Hugh Plunkett, who then killed himself. It's believed Plunkett grew fearful that authorities would charge him and Ned Doheny for their role in delivering the black bag of cash to Fall.

Sinclair, meanwhile, refused to answer some of the Senate team's questions, claiming that Congress had no right to probe his private affairs. That refusal was challenged and eventually reached the Supreme Court.

In the 1929 *Sinclair vs. United States* ruling, the court said that Congress did have the power to fully investigate cases where the country's laws may have been violated. Sinclair would later serve six months in prison for contempt of Congress and jury tampering.

The fine against Fall was eventually waived since by the time he was fined he had lost his wealth, and Doheny had foreclosed on Fall's New Mexico ranch. Fall ended up serving nine months in jail before being released due to failing health. He died in 1944 after a long illness.

TEAPOT DOME FINALLY SOLD—LEGALLY

As for the oil reserves in Wyoming and California, the Supreme Court voided the suspicious oil leases in 1927 and production was halted at Teapot Dome and the California sites.

Under newly established protocol between the federal government and the oil industry, oil was eventually tapped at Elk Hills to support U.S. efforts during World War II. All naval oil reserves were then tapped to full production during the Energy Crisis of the 1970s.

In 1995, under President Bill Clinton, Congress authorized the sale of the Elk Hills site to the highest bidder in a broader effort to shift some federal roles to private industry. By 1998, Occidental Petroleum Company had taken over oil production at the site.

And in January 2015, the U.S. Department of Energy sold the infamous Teapot Dome reserve—on the level—following a competitive bidding process. After producing 22 million barrels of oil and making $569 million for the U.S. government, Teapot Dome was sold to the Stranded Oil Resources Corporation, a unit of the Alleghany Corporation, for $45.2 million.

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Article Details:

Teapot Dome Scandal

Author
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Website Name
History.com

Year Published
2017

Title
Teapot Dome Scandal

URL
http://www.history.com/topics/teapot-dome-scandal

Access Date
October 30, 2017

Publisher
A+E Networks
