

NAILED IT!:  
A CASE STUDY OF A MONTREAL HARDWARE MANUFACTURER  
AND THE RISE OF THE CORPORATION IN CANADA, 1868-1909

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## **ABSTRACT / RÉSUMÉ**

This dissertation is a case study of a Montreal hardware manufacturer in the second half of the nineteenth century. It argues that the joint-stock corporation played an important role in the consolidation of the Montreal bourgeoisie and of the Canadian industrial state during this era. This involves three arguments. First, the corporation consolidated wealth, but it also consolidated the wealthy. It was a space where many different types of capitalists came together in a way that was uncommon in an era when the dominant organization was the specialized private partnership between a few, usually similar, businessmen. As more stock was issued and purchased, gifted and inherited, the individuals in the company's orbit diversified. Women, in particular, became more active stockholders, increasingly asserting their rights to property within the corporation. Second, this class found its primary expression in the state. The directors and managers of the company were far more interested in the high politics of tariff policy than in the day-to-day operations of their factory by the Lachine Canal and the gritty work of management. There were however limits to what could be achieved with politics. By the end of the century, company directors sought to increase profits by stepping onto the factory floor and breaking worker control of the productive process. Third, this study challenges the argument that the liberalization of incorporation laws in Canada represented a move towards democratization. Instead, because of the greater ease of creating a joint-stock corporation, capitalists could avoid the scrutiny of elected officials. The corporation was thus an important plank in a general bourgeois counteroffensive against threats to their wealth from democratic popular politics. In sum, this dissertation will contribute to the study of the business elite in the Dominion's economic metropole and the development of industrial capitalism in the crucial period after Confederation.

Cette thèse est une étude de cas d'une manufacture de quincailleries montréalais dans la seconde moitié du XIXe siècle. Nous soutenons que les sociétés par actions ont joué un rôle important dans la consolidation de la bourgeoisie montréalaise et de l'État industriel canadien à cette époque. Cela implique trois arguments. Premièrement, la compagnie a consolidé la richesse, mais elle a également consolidé les riches. C'était un espace où de nombreux différents types de capitalistes se réunissaient d'une manière inhabituelle à une époque où l'organisation dominante était le partenariat privé spécialisé entre quelques hommes d'affaires, généralement similaires. Au fil des ans davantage d'actions étaient émises et achetées, négociées et héritées, et les individus faisant partie de la compagnie se sont diversifiés. Les femmes, en particulier, sont devenues des actionnaires plus actives, affirmant de plus en plus leurs droits de propriété au sein de l'entreprise. Deuxièmement, la bourgeoisie montréalaise a trouvé sa première expression dans l'État. Les dirigeants et les gestionnaires de la compagnie étaient beaucoup plus intéressés par les hautes politiques tarifaires que par les opérations quotidiennes de leur usine au bord du canal Lachine et de la gestion du travail. Il y avait cependant des limites à ce qui pouvait être réalisé en politique. À la fin du siècle, les dirigeants de la compagnie cherchaient à augmenter leurs profits en allant dans les usines pour briser le contrôle des travailleurs sur le processus de production. Troisièmement, cette étude remet en question l'argument selon lequel la libéralisation des lois sur l'incorporation au Canada représentait un pas vers la démocratisation. Plutôt, en raison de la plus grande facilité de création d'une société par actions, les capitalistes pourraient éviter le contrôle des élus. La corporation était donc un élément important d'une contre-offensive bourgeoise contre les menaces qui pesaient sur leur richesse en raison de la politique populaire démocratique. En résumé, cette thèse contribuera à l'étude de l'élite des affaires dans la

métropole économique du Canada et au développement du capitalisme industriel dans la période cruciale qui a suivi la Confédération.

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## **ABBREVIATIONS**

DCB – Dictionary of Canadian Biography

Debates – Debates of the House of Commons of the Dominion of Canada

Dun - R.G. Dun & Co. Collection, Baker Library, Harvard University  
Graduate School of Business Administration. 1846-1878.

Journals – Journals of the House of Commons of the Dominion of Canada

LAC – Library and Archives Canada

Lovell – Lovell's Montreal Directory

Stelco – R15513-0-7-E, The Steel Company of Canada (Stelco) fonds

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*Thus all night long, outside the club, the soft note of the motor horns arriving and departing wakened the sleeping leaves of the elm trees with their message of good tidings. And all night long, within its lighted corridors, the bubbling champagne whispered to the listening rubber trees of the new salvation of the city. So the night waxed and waned till the slow day broke, dimming with its cheap prosaic glare the shaded beauty of the artificial light, and the people of the city – the best of them, – drove home to their well-earned sleep, and the other, – in the lower parts of the city, – rose to their daily toll.*

- Stephen Leacock, *Arcadian Adventures of the Idle Rich*

## INTRODUCTION

### *The Humble Nail*

In all our homes, under layers of spackle and paint, rest thousands of nails. We live our lives surrounded by these ubiquitous metal shards. The manufactured cut nail is perhaps the blandest product of the First Industrial Revolution. After all, what could be more boring than a simple spike of iron used for joining pieces of wood? But the invention of the manufactured nail triggered a seismic transformation in the ability of people to house themselves. Nails were nothing new, of course. The Romans made nails. But for millennia homebuilders were faced with a dilemma: nails are very efficient at binding wood together, but they had to be individually forged by blacksmiths, and buying enough of them to build even a small cottage was beyond the means of most people. Indeed, nails were so valuable that people burned their houses down to collect them from the ashes.<sup>1</sup> The other option was the ancient art of joining, the back-breaking work of whittling wooden beams so that they slot into each other, like the quintessential log cabin. Nails were efficient but expensive; joining was cheap but labour-intensive.

The late eighteenth century saw major advances in nail production. Much of this innovation came from New England, as labour shortages made the production of hand forged nails impractical. By contrast, in Europe, labour surpluses and resistance to mechanization by skilled artisans meant that well into the nineteenth century hand forged nails continued to be produced. But, as was the case with so many traditional crafts, there was only so long that artisans could resist the pressures of industrialization. By the late nineteenth century, an English nailer using

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<sup>1</sup> William Kilbourn, *The Elements Combined A History of the Steel Company of Canada* (Toronto: Clark, Irwin and Company, 1960), 4-5.

traditional methods could make 112 pounds of nails a day, while a North American labourer operating machines could produce 5400 pounds in the same amount of time.<sup>2</sup>

The process of producing manufactured nails required several steps (Figure I.1). First, wrought iron was heated and then worked into flat sheets. This was traditionally accomplished with water or hand powered hammers, until in 1784 an English patent was issued for using grooved rollers. This much more efficient method involved passing heated wrought iron between two heavy rollers until it was flattened into a sheet called nail plate or nail rod. This process required the use of a rolling mill, which was both the name of the machine and of the factory around it (Figure I.2). The nail plate or rod was then put into a cutting machine which used an oscillating motion to shear the iron into a spike shape (the nail blank). In early factories workers collected the blanks and then hammered on a head by hand, but by the nineteenth century machines were invented which could both cut and then head a nail.<sup>3</sup>

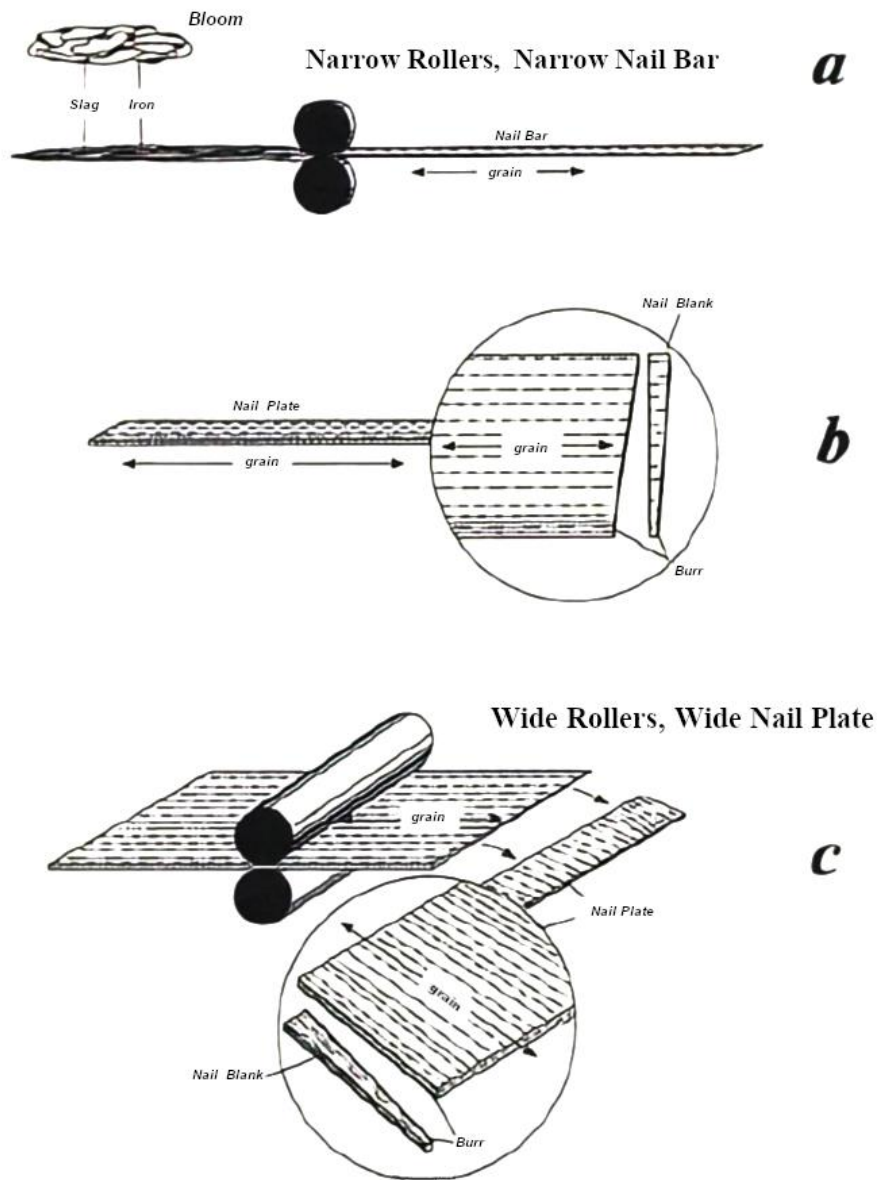
The manufactured nail was a revolutionary invention that bound together more than beams of wood. The nail bound together iron miners in England with rolling mill operators in Canada. It bound together poor cutting and heading machine operators on the Lachine Canal with wealthy investors in their Square Mile mansions. It bound together hardware wholesalers with shipping magnates and former artisan nailers turned industrialists. The seemingly humble nail is, in fact, a microcosm of how manufactured commodities created relationships between individuals during the epochal transformations of industrialization.

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<sup>2</sup> Tom Wells, "Nail Chronology: The Use of Technologically Derived Features," *Historical Archaeology* 32:2 (1998), 88. Much of the research on the history of nails and nail technology has come from historical archeologists because they are a very effective way of dating buildings. See also Maureen L. Phillips, "Mechanic Geniuses and Duckies,' A Revision of New England's Cut Nail Chronology before 1820," *APT Bulletin: The Journal of Preservation Technology* 25:3/4 (1993), 4-16, and William Hampton Adams, "Machine Cut Nails and Wire Nails: American Production and Use for Dating 19th-Century and Early-20th-Century Sites," *Historical Archaeology* 36:4 (2002), 66-88.

<sup>3</sup> Wells, "Nail Chronology," 79-84.





**Figure I.1: Methods of Making Nail Rods and Plate**

“a, slag in the bloom is drawn out with the iron, narrow rollers from the narrow nail plate with the grain running the length of the bar, nails cut from narrow nail plates are cross-grained; b, narrow rollers form the narrow nail plate with the grain running the length of the bar, nails cut from narrow nail plates are cross-grained; c, wide rollers produce sheets, which are then sheared across the grain to produce nail plates, nails made from such plates are in-line-grained.”

Source: Tom Wells, "Nail Chronology: The Use of Technologically Derived Features," *Historical Archaeology* 32:2 (1998), 88.



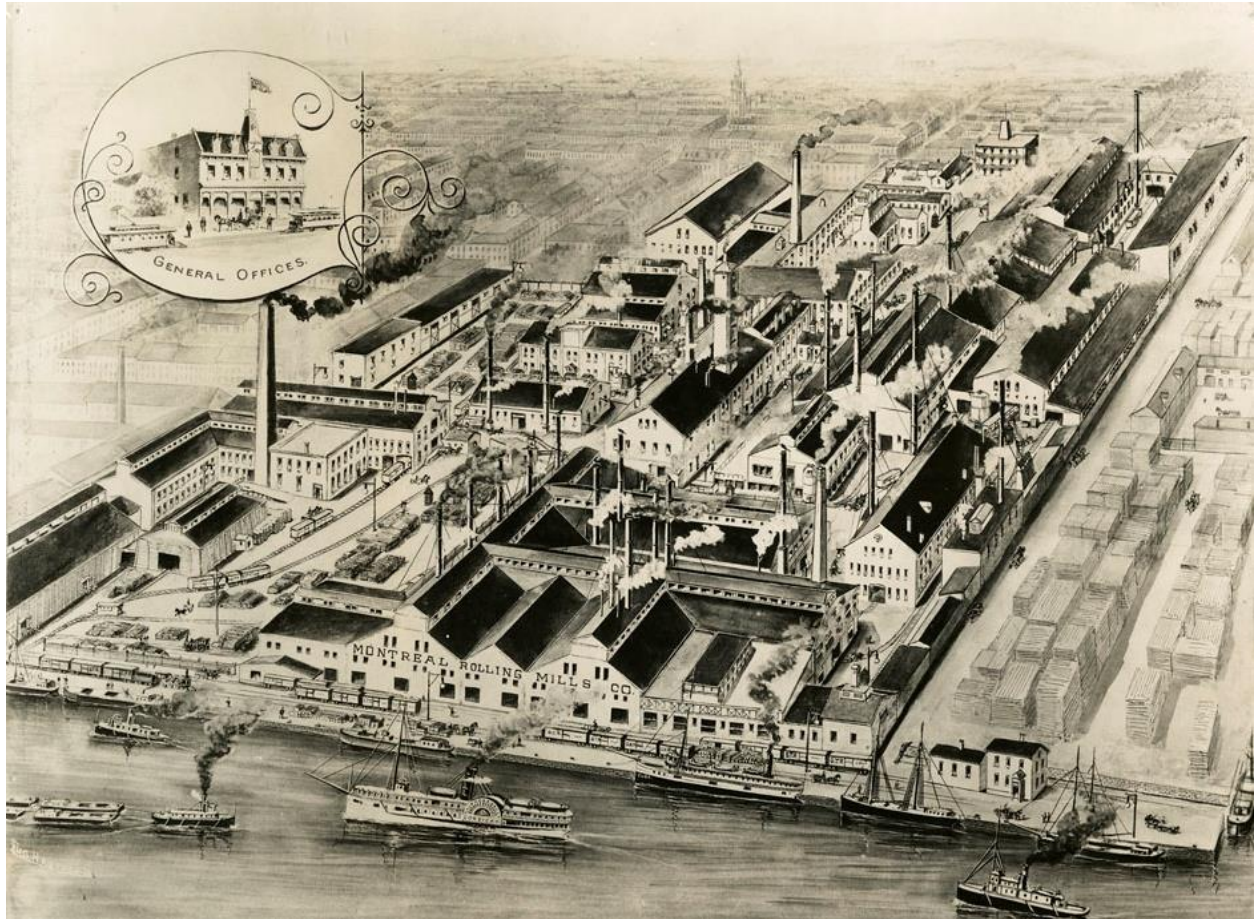
*Figure I.2: The Interior of a Rolling Mill*

The machine just to the right of the centre of this picture is a rolling mill. The workers here are manipulating heated steel that has just passed through the two large, grooved rollers. The steel would be passed back and forth between teams of workers on either side of the machine until it reached the desired thickness.

Source: "Workmen use tools to move white-hot bar of steel newly emerged from the steel-rolling machine at the New Glasgow steel-rolling mill." n.d. LAC, RG53, item no. 319546.

### *A Hardware Manufacturer on the Lachine Canal*

In 1898 Montreal Rolling Mills commissioned a painting of its works, which was divided into two frames (Figure I.3). The larger image showed the company's impressive works in the town of Sainte Cunégonde, just west of what was then Montreal's municipal boundary. Bordered to the south by the Lachine Canal, to the west by Vinet Street, to the north by Notre Dame Street, and to the east by Augustin Cantin's shipyard, its operations stretched over eleven acres, and



**Figure I.3: Montreal Rolling Mills c. 1898.**

Source: *Stelco*. Vol. 278 “Architectural and Technical Drawings.”

included factories to produce nails, tacks, nuts, and bolts, as well as lead pipe, wire, horseshoes, saws, shot, and myriad other iron and steel commodities. The image presents a hive of activity, with rail connections both within the works and along the canal, workers and horses moving about, and steamships and tugs floating by the immense letters of the company’s name emblazoned on the main rolling mill as tall smokestacks belched black smoke into the sky.

Tucked in the top-left corner is a much smaller frame, showing the company’s general offices. It is a much quieter scene, a stately building with an arched façade, a stagecoach parked in front, and streetcars passing by. Atop its elegantly sloped roof flies a flag, almost certainly the

Union Jack, a reminder that the company operated within an imperial city. At first glance, the two frames seem a world apart, but in fact, they are in the same place. The office was on Notre Dame Street and is clearly visible in the larger frame towards the rear of the image. Whether intended to or not, the painter implies a separation between the world of gentlemanly commerce and the noise and smoke of industry. By the end of the nineteenth century, this separation did not exist.

For the first two decades after Montreal Rolling Mills' was founded in 1868, the company's head office was not on Notre Dame Street as seen in the painting. Rather, it was located amongst the white-stone buildings of Saint Paul Street, in what is now known as "Old Montreal." Company directors had little interest in breathing the polluted air of the works on the Lachine Canal – this was left to company foremen and their workers, who ensured the supply of nails and pipe sold by their social betters downtown. There was thus a clear class separation between manufacturing and commerce, only the latter being the realm of the gentleman. The managing director in the 1880s only visited the works a few times a week, a former employee recalled, and upon each occasion at "[a]bout ten in the morning, the day-watchman would begin to watch out for the director's brougham and pair, and when he arrived would always shine his boots."<sup>4</sup>

In 1888 Montreal Rolling Mills moved its headquarters to Notre Dame Street, physically integrating it to its works. This decision was made by the company's new director, William McMaster. Unlike his predecessors, McMaster had a keen interest in the on-the-ground operation of the company's works. For him, travelling across town to visit a few times a week was not sufficient; he wanted to carefully follow what was going on and bring in more modern management and productive technologies. The location of the company office represented

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<sup>4</sup> Kilbourn, *The Elements Combined*, 23-24.

immense changes that were taking place in Montreal, Canada, and throughout the industrialized and industrializing world. If in the 1860s businessmen were segregated by the type of capital they owned, whether commercial, industrial, or financial, by the end of the century these different segmentations had largely merged. This dissertation seeks to contribute to an understanding of how this shift happened.

### *The Corporation*

The key element was the return of an old form of business organization adapted to serve modern needs: the joint-stock corporation. This was an independent legal entity that gave its members certain rights, notably independent decision-making powers, continuity beyond the participation of specific individuals, transferability of things like stocks without threatening that continuity, the creation of a judicial personhood allowing it to sue and be sued without affecting its members, and in most cases limited liability for those members. For centuries, governments limited incorporation by refusing to grant charters, which were individual acts of parliament. However, starting in the 1830s, incorporation slowly became easier with the advent of general incorporation statutes. These were laws that allowed for companies to be created without a specific act by fulfilling certain obligations. By 1864, most types of business could incorporate via general charter.

This dissertation is principally a study of the corporation. This topic has held the interest of historians and economists for more than a century. Much ink has been spilled debating the theory of the joint-stock corporation, but my interest is less on what the corporation *is* than what it *does*, or more precisely, what it does to people – how it affects the lives of those who create it, who operate within its framework, and who are affected by it, whether willingly or not. This is not an

institutional history; rather, I am interested in seeing the corporation as an institution that is experienced, a space where relationships were made, where networks were consolidated. It was a place where class happened. I seek to better understand the historical role of the corporation by concentrating on a case study of Montreal Rolling Mills. I argue that the way individuals experienced being part of a corporation, whether through stockownership, directorships, and employment relationship, was a crucial factor in the development of the Montreal bourgeoisie and the Canadian industrial state. Saying this involves three propositions.

### *Proposition I*

A corporation like Montreal Rolling Mills functioned as a “contact zone,” to borrow an expression from post-colonial historians.<sup>5</sup> It consolidated wealth, but it also consolidated the wealthy. It was a space where many different types of capitalists came together in a way that was uncommon in an era where the dominant organization was the specialized private partnership between a few, usually similar, businessmen. It was a web with capital at its centre, tying many individuals together that may have had little else in common beyond ownership of capital. The joint-stock corporation, along with other institutions, blurred the lines that had once existed between merchant capital, finance capital, and industrial capital.

The question of bourgeois class formation has not received the same scholarly attention as the making of the working class, an unsurprising lacunae considering that those most interested in class were labour historians who often wanted to write inspirational stories of popular struggle. In his criticism of E.P. Thompson, who more than anyone popularized class analysis in the

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<sup>5</sup> The expression was coined by Mary Louise Pratt in *Imperial Eyes: Travel Writing and Transculturation* (London: Routledge, 1992).

1960s-70s,<sup>6</sup> Theodore Koditschek points out that a definition of class as relational, that is to say that it defines itself against and opposed to another class in society, needs to seek an understanding of both sides of the coin, and that “the man who taught us to reject the structuralist vision of history as ‘a process without a subject’ commits himself to a history of capitalism without the bourgeoisie.” He argues that historians of the nineteenth century have largely neglected “bourgeois class agency” and that “we hear of bourgeois art, literature, culture, ideology, and politics, but very little mention of a bourgeoisie [...] It is as though, under the weight of a bourgeois society, the bourgeoisie, as a class, has disappeared.”<sup>7</sup>

For Koditschek, “[w]hat makes the nineteenth-century bourgeoisie so difficult to characterize is that, even more than the working class, it was composed of a wide range of subgroups.”<sup>8</sup> In British North America, the bourgeoisie’s structure was further complicated by ethno-linguistic and religious divisions. Paul-André Linteau, in a short but influential article, splits the Québec bourgeoisie into three segments: an overwhelmingly Anglo-Protestant and Montreal-based *grande bourgeoisie*; a more numerous but far less powerful *moyenne bourgeoisie* where much of the wealthier members of the French Catholic economic elite could be found; and a largely French Catholic *petite bourgeoisie* that was far less influential than the other two groups but nonetheless participated in controlling the economy.<sup>9</sup> In his pathbreaking study of George-Étienne Cartier, written a few years later, Brian Young admits that although the term “Montreal bourgeois” might be “inexact,” it remains “fitting as a functional and material framework within

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<sup>6</sup> E.P. Thompson, *The Making of the English Working Class* (London: Penguin, 1963).

<sup>7</sup> Theodore Koditschek, *Class Formation and Urban-Industrial Society: Bradford, 1750-1850* (Cambridge, University Press, 1990), 10-11.

<sup>8</sup> *Ibid.*, 12.

<sup>9</sup> Paul-André Linteau, “Quelques réflexions autour de la bourgeoisie québécoise, 1850-1914,” *Revue d’histoire de l’Amérique française*, vol. 30 no. 1 (June 1976), 55-66. Linteau later expanded on his analysis of the French Canadian bourgeoisie and its relationship with industrialization and urbanization in *Maisonnette : comment des promoteurs fabriquent une ville* (Montréal : Boréal express, 1981).

which to evaluate Cartier's origins, his life-style, social relations, and professional and political activities."<sup>10</sup>

Both Linteau and Young agree that there was a group in nineteenth-century British North America that for whatever its internal divisions is most accurately identified as a bourgeoisie. More recent research out of the United States has looked more closely at bourgeois class formation. Most notably, Sven Beckert argues bourgeois New Yorkers overcame their many internal divisions – notably those between financial, commercial, and industrial capital – and consolidated themselves as a social class during the second half of the nineteenth century through two interlinked processes: first, by “distinguishing themselves from others, especially from workers”; second through forming a common culture defined principally by the ownership of capital, which translated into institutions that bound the bourgeoisie together, such as “clubs, debutante balls, voluntary associations and museums, and, in exceptional circumstances, even in political mobilizations.”<sup>11</sup> To that list I would add joint stock corporations.

In his study of the origins of the U.S. Federal Reserve in the late nineteenth and early twentieth centuries, James Livingston argues that “the elite that came of age in the movement for banking reform was an extrusion of the corporate-industrial business community. That business community was in turn part of a large social entity, a national, metropolitan upper class whose power – its opportunities, its access to authority and knowledge, its ability to control labor-power – derived mainly from its claims on and income produced by productive assets which were combined under corporate legal forms in large business enterprises.”<sup>12</sup> Following Livingston, I

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<sup>10</sup> Brian Young, *George-Etienne Cartier: Montreal Bourgeois* (Montreal and Kingston: McGill-Queen's University Press, 1981), xii.

<sup>11</sup> Sven Beckert, *The Monied Metropolis New York City and the Consolidation of the American Bourgeoisie, 1850-1896* (Cambridge: University Press, 2001),

<sup>12</sup> James Livingston, *Origins of the Federal Reserve System: Money, Class, and Corporate Capitalism, 1890-1913* (Ithaca: Cornell University Press, 1986),



argue that the joint stock corporation was a crucial institution in bourgeois class consolidation. My interest is however more focussed on the group's internal dynamics than in its differentiation from the working class, although the fear of the mob was always a concern. Fundamentally, the experience of the corporation did not erase the differences between mercantile, industrial, and financial capital, but it did make them less pronounced and conflict between these groups much more mitigated.

The primary actors of this story were bourgeois Montrealers. They most closely experienced the corporation while at the same time using it for their own ends. I specifically use this term to echo Beckert's "bourgeois New Yorkers." Indeed, Montreal was very much the Canadian "monied metropolis," and the city's wealth and power were even more pronounced in the Dominion than New York was in the United States.<sup>13</sup> Unlike Beckert, most American historians have been less inclined to use the term. Recently, Noam Maggor privileges terms such as "Boston elites," "moneyed Bostonians," or "wealthy Bostonians" rather than "bourgeois Bostonians," although he does admit he is talking about the same group of individuals, even referencing "bourgeois class formation."<sup>14</sup> Francophone historians have had comparatively little reticence to call the bourgeoisie by its name, something that has made its way into anglophone studies. For example, the English translation of the monumental two volume *Histoire de Montréal et de sa région* does change some uses of "bourgeoisie" into "middle class" or "commercial class," but for the most part the original term is maintained.<sup>15</sup> I maintain that the

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<sup>13</sup> The similarities between the two metropolis' has been noted by Paul-André Linteau, who points out that "la structure économique et démographique [de New York] présente de nombreuses similitudes avec celle de Montréal." See *Histoire de Montréal depuis la Confédération* (Montréal : Boréal, 1992), 100.

<sup>14</sup> Noam Maggor, *Brahmin Capitalism: Frontiers of Wealth and Populism in America's First Gilded Age* (Cambridge MA: Harvard University Press, 2017), 30, 146.

<sup>15</sup> *Histoire de Montréal et de sa région*, 2 vols., ed. Dany Fougères (Montréal: INRS, 2012); *Montreal: The History of a North American City*, 2 vols., eds. Dany Fougères and Roderick McLeod (Montreal and Kingston: McGill-Queen's University Press, 2017).

term “bourgeois Montrealers” is much more accurate than the alternatives in describing a particular group of largely Anglo-Protestant capitalists who resided in the city’s downtown or Golden Square Mile and whose fortunes were tied to the city’s place in the Saint Lawrence commercial system.<sup>16</sup> A term like “elites,” for example, could easily refer to clerico-nationalist politicians or other groups that were influential in Montreal society, but whose power did not necessarily derive from their ownership of capital.

Bourgeois Montrealers were characterized by their conservatism and “espousal of commercial expansion, British political and social values, and the ethic of thrift and hard work.”<sup>17</sup> They were on the one hand the most powerful group of individuals in the Dominion, but on the other a group that perhaps ironically saw themselves as particularly threatened by numerous overlapping actors and jurisdictions. In this they were not alone; as Robin Einhorn has shown, both American slaveholders and later industrialists fought tooth and nail to prevent both the federal government and municipal assemblies from threatening their property.<sup>18</sup> For bourgeois Montrealers, the threats could come from the municipal government, from the increasingly nationalistic French Catholic province of Québec, from a federal government usually controlled by compliant Conservatives but which suffered the occasional Liberal ministry, and from an aggressively Americanizing continent. The tension between these two factors, their great wealth, and the very tangible fear of having that wealth taken away, made them particularly active. They became a driving force in the creation of multiple firebreaks protecting the monied from the people. In the

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<sup>16</sup> On the Golden Square Mile, see the recent collection Dimitry Anastakis, Elizabeth Kirkland, and Don Nerbas eds., *Montreal’s Square Mile: The Making and Transformation of a Colonial Metropole* (Toronto: University Press, 2024).

<sup>17</sup> Young, *George-Etienne Cartier*, xii.

<sup>18</sup> See Robin L. Einhorn, *Property Rules: Political Economy in Chicago, 1833-1872* (Chicago: University Press, 2001 [1991]); *American Taxation, American Slavery* (Chicago: University Press, 2006).

second half of the nineteenth century, bourgeois Montrealers transformed and were transformed by the corporation.

### *Proposition II*

Montreal Rolling Mills' directors and managers were far more interested in tariff policy than they were in the day-to-day operations of the works by the Lachine Canal. The enterprise was inefficiently run, with machines frequently idle, although it continued to pay impressive dividends. This was consistent with a class that was mainly interested in the high realm of politics rather than the gritty work of management. Company directors believed that their profits depended more on the price of their raw materials and finished products, than the speed and efficiency that raw materials were turned into those finished products. They felt that writing letters to Ottawa was a more appropriate use of their time than talking to their foremen. Although by the start of the twentieth century a new generation of capitalists finally did become increasingly interested in the actual running of their works, these modern businessmen continued to view their relationship with the state as a primary concern.

Furthermore, disagreements over specific tariff rates should not be seen as ruptures within the bourgeoisie. Beckert argues that debates between businessmen "demonstrates that the boundaries of bourgeois conflict were quite narrow and seldom, if ever, left the confines of the political economy of domestic industrialization they all had come to share."<sup>19</sup> But perhaps there was no larger ideological principle of domestic industrialization. Corporations operated under a principle of *laissez faire, mais protégez-nous*. This is perfectly consistent, and an important part of what we could call corporate *realpolitik*. By the 1880s bourgeois Montrealers mostly came to agree on

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<sup>19</sup> Beckert, *The Monied Metropolis*, 306.

the need for protection, and that there was in fact a correct answer to the question of “how much.” The correct answer was always what was best for their particular corporation at that particular time. However much they cynically wrapped themselves in the flag and claimed that a few percentage points increase in the tariff for nails was essential for Canadian prosperity, they did not actually care about whether their preferred rate did anything to promote or impede domestic industrialization.

This returns to an old debate about the nature of Canadian industrial development in the late nineteenth century. As Craig Heron points out, in citing the example of a businessman lamenting that as late as 1896 Canada produced no steel rails, “the history of iron and steel production in the country up to that point had been largely a tale of failures and disappointments.”<sup>20</sup> This was a major concern of left nationalist historians of the 1970s, who watched worryingly as the Canadian industrial sector seemed to be gobbled up by American firms. R.T. Naylor has received criticism for his view that the colonial and mercantile orientation of Canadian economic development largely explains its industrial underdevelopment and why it passed from being a British colony to an American one in the twentieth century. Naylor argued that “[o]verextension of trunk lines for the long-distance movement of primary output under federal government direction took precedence over local lines for the development of Canadian markets for local industry. Funds flowed freely though the intermediary system into commercial investments, into the development and movement of staples, or into other public utilities and other public utilities and other types of infrastructure, and much less so into industrial capital formation.”<sup>21</sup>

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<sup>20</sup> Craig Heron, *Working in Steel: The Early Years in Canada, 1883-1935* (Toronto: McClelland & Stewart, 1991 [1988]), 14.

<sup>21</sup> R.T. Naylor, *The History of Canadian Business, 1867-1914*, 2 vols. (Montreal & Kingston: McGill-Queen's University Press, 1975), vol. 1, 14-15.

Naylor is largely correct; the Canadian economy was dominated by the “River Barons” and their descendants, people who made their fortunes on transportation rather than industrial development.<sup>22</sup> This is certainly borne out by the way tariff policy was drawn up by successive governments in the mid-Victorian period. However, the case of Montreal Rolling Mills shows us that although the imperial metropole tended to be prioritized, that metropole was not always London. For most of Canada, Montreal was the imperial centre. The trunk lines that Naylor argues failed to develop local markets radiated out from Montreal and carried Montreal-produced commodities into the west, in this period “the west” being everything past the Ottawa River. Montreal Rolling Mills never sold directly to consumers. They sold to wholesalers along the trunk routes, to Toronto, Guelph, London, and Winnipeg. In complaining about the small size of Canadian market, they articulated a perspective that the state should protect and expand this market for them.

A mercantilist economy could nonetheless develop secondary industries. It is perhaps ironic that a staples-based economy did so little to develop primary iron and steel for either an internal or export market. It was indeed finishing plants like those of Montreal Rolling Mills that dominated Canadian iron and steel until the last decades of the nineteenth century. Its owners and directors tried everything to prevent Canadian sources of raw material to be developed, preferring to purchase directly from Britain or later the United States while taking advantage of beneficial agreements with Montreal-based transatlantic shipping lines and railways. The development of a mature industrial economy through careful use of tariff policy was simply not a major concern for bourgeois Montrealers. If it happened it happened, but the priority was always their own profits.

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<sup>22</sup> See Gerald Tulchinsky, *The River Barons: Montreal Businessmen and the Growth of Industry and Transportation 1837-53* (Toronto: University Press, 1977).

*Proposition III*

This study challenges the argument that the liberalization of incorporation laws in Canada represented democratization. Instead, the increasing ease of creating a joint-stock corporation, especially with the move from individual to general incorporation charters, was a defence *against* democratization. Through general charters, capitalists avoided the scrutiny of elected officials, gaining final authorization for incorporation from the unelected Governor General, at the recommendation of the prime minister's cabinet, rather than directly through a vote in Parliament. This is in line with a more general bourgeois counter-offensive against democracy in Canada starting in the 1860s. It was generally believed that if workers could vote they would vote to raise taxes on the rich. The corporation existed to protect wealth from the threat of the mob, as a firebreak between the rich and popular politics.<sup>23</sup> Bourgeois Montrealers certainly saw no contradiction in demanding the government protect industry while also fighting vociferously against any intervention in their absolute right to property, be it taxation or regulation.

In his magisterial synthesis on American capitalism, Jonathan Levy describes how the advent of general incorporation charters was “a momentous change and a blow against elites in favor of equal rights and equal opportunity. The oldest legal theory of corporate personality was ‘grant’ or ‘concession’ theory. Only the sovereign could grant corporate charters, thereby creating a new subsovereign. In a democracy, however, where popular sovereignty reigned, grant theory was a contradiction. How could legislatures grant sovereignty back to ‘the people,’ where it resided in

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<sup>23</sup> In his study of twentieth-century neoliberalism, Quinn Slobodian sees a similar effort to protect property from the threat of democracy. Preferring the metaphor of “encasement,” he argues that neoliberals sought “not a partial but a complete protection of private capital rights, and the ability of supranational judiciary bodies like the European Court of Justice and the WTO to override national legislation that might disrupt the global rights of capital.” See Slobodian, *Globalists: The End of Empire and the Birth of Neoliberalism* (Cambridge MA: Harvard University Press, 2018), 13.

the first place? Why should the privileges of incorporation not be a democratic right, enjoyed equally by all?”<sup>24</sup> In this reading, general incorporation laws were part of a liberal project giving all individual businessmen the right to form corporations without the pesky meddling of the state. However, these laws did not appear in a period of despotic states, but rather at the same time as North America was seeing increasing popular democracy. It was at the moment that legislatures were becoming more democratic that they lost their ability to control incorporation.

In her study of the late nineteenth century Montreal francophone business community, Fernande Roy argues that nineteenth century liberalism was built around three interlinked principles: liberty of the individual, legal equality, and the right to hold property.<sup>25</sup> This three-pronged structure would later inform Ian McKay’s seminal article positing a liberal order framework in Canada. Later, in *Reasoning Otherwise*, McKay presents this succinctly: the project of a liberal order was “premised on restrictive readings of the ideals of liberty, equality and property – under the aegis of the British Empire.” This he contrasts to conservatism, defined as “previously established Tory notions of hierarchy and community [...]”<sup>26</sup> Years earlier, in a pathbreaking study, Jean-Marie Fecteau observed that the corporation in fact exposed many of liberalism’s contradictions. After all, what could be more antithetical to the liberal ethos of individualism than the common ownership of capital? And what of the administrative hierarchy of the corporation, based on stock ownership or elected positions, did that not infringe on the

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<sup>24</sup> Jonathan Levy, *Ages of American Capitalism: A History of the United States* (New York: Random House, 2021), 124.

<sup>25</sup> Fernande Roy, *Progrès, harmonie, liberté: Le libéralisme des milieux d’affaires francophones de Montréal au tournant du siècle* (Montréal: Boréal, 1988), 49-53. On the relationship between liberalism and the poor, see Jean-Marie Fecteau, *La liberté du pauvre : crime et pauvreté au XIXe siècle québécois* (Montréal : VLB Éditeur, 2004).

<sup>26</sup> Ian McKay, “The Liberal Order Framework: A Prospectus for a Reconnaissance of Canadian History,” *Canadian Historical Review* 81 (2000), 617-45; *Reasoning Otherwise : Leftists and the People’s Enlightenment in Canada, 1890-1920* (Toronto: Between the Lines, 2008), 4-5. For a brief overview of conservatism and how it contrasts with Roy and McKay’s concept of liberalism, see Michel Ducharme and Jean-François Constant eds. *Liberalism and Hegemony: Debating the Canadian Liberal Revolution* (Toronto: University Press, 2009), 11-12.

individual businessman's equality in a world of private enterprise? And that most fundamental liberal principle, that the individual is responsible for his actions, was it not challenged by the granting of limited liability? The business corporation allowed the individual to renounce his liberty – and reduce his risk – in the pursuit of collective profits for him and his associates.<sup>27</sup>

I argue that there was no contradiction at all as the corporation was not a liberal institution, something that should hardly be controversial considering it predates liberalism by many hundreds of years. Instead, the corporation in Canada was a conservative and antidemocratic form of business organization that existed as a way to protect wealth. Contrasting with the liberal ethos of individual liberty and equality, the corporation was built upon conservative ideas of hierarchy and community. It was an old feudal construct resurrected to meet the needs of an expanding, consolidating bourgeoisie, and was correctly identified as such by anti-monopolists and reformers at the turn of the twentieth century.

### *The Stelco Archives*

The place of Montreal Rolling Mills in the industrial landscape of Canada's metropolis has of course been noted by historians. Linteau, in his classic survey, argues that it was one of the most important enterprises in the city, while in his study of Montreal's industrial development, Robert Lewis argues that it "provided a node around which other manufacturing firms developed" in the western part of the city.<sup>28</sup> While Montreal Rolling Mills is not unknown territory for historians of the period, almost all references point to a single book: William Kilbourn's account of the

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<sup>27</sup> Jean-Marie Fecteau, "Les petites républiques": les compagnies et la mise en place du droit corporatif moderne au Québec au milieu du 19<sup>e</sup> siècle," *Histoire sociale - Social History* Vol. 35, No. 49 (May 1992), 45-46.

<sup>28</sup> See Linteau, *Histoire de Montréal depuis la Confédération*, 28, and Robert Lewis, *Manufacturing Montreal. The Making of an Industrial Landscape, 1850 to 1930* (Baltimore : John Hopkins University Press, 2000), 125-126. It is notably absent in the survey *Histoire de Montréal et de sa région*, 2 vols., ed. Dany Fourgère (Montréal: INRS, 2012), which only mentions Montreal Rolling Mills in passing and solely in the context of a strike there in 1887 (530).



history of The Steel Company of Canada (Stelco), *The Elements Combined*. Kilbourn tells the story of the formation of Stelco through its first fifty years of existence (1910-1960). Beginning his study with the evolution of cut-nail production in Montreal, devoting his second chapter to Montreal Rolling Mills, he was well served with exclusive access to the Stelco archives, closed to the public during the corporation's existence. While Kilbourn wrote about Montreal Rolling Mills' formation, the only other major treatment of the company focussed on its end. In his masterful study of Max Aitken, the future Lord Beaverbrook, Gregory Marchildon provides a detailed analysis of the process that led to the merger of Montreal Rolling Mills into Stelco, expanding Kilbourn's brief discussion.<sup>29</sup> Published in 1996, Marchildon remains the only scholar to make use of Stelco's archives since Kilbourn had done so in 1960, the two studies providing bookends of Montreal Rolling Mills' history – Kilbourn looking at the company's founding, and Marchildon its end as an independent firm. However, no major study has yet been undertaken on Montreal Rolling Mills' half-century existence itself, a glaring lacuna in the history of Canadian economic development.

This study was only made possible by the acquisition of Stelco's voluminous archives by Library and Archives Canada in 2007, although its size meant that the collection was not fully catalogued until 2022. In his 1988 classic *Working in Steel*, Craig Heron lamented that "Canada's steel companies have not kept many records from their early days (the Steel Company of Canada will not even let anyone see what it has)."<sup>30</sup> This collection is thus a brilliant opportunity to "look under the hood" of one of the most important enterprises in Canadian history. When Kilbourn was researching his book on Stelco, he also had at least some access to

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<sup>29</sup> Gregory Marchildon, *Profits and Politics: Beaverbrook and the Gilded Age of Canadian Finance* (Toronto: University Press, 1996), 194-201.

<sup>30</sup> Heron, *Working in Steel*, 10.

these archives. The sources he used appear to be mainly Montreal Rolling Mills minute books and annual reports. These are of course very useful documents, but historians need to be careful in their usage – as Richard White reminds us, annual reports often hid things and are not necessarily to be trusted.<sup>31</sup> With regards to minute books it is no secret that many discussions were not properly recorded, and much of the decision making was done behind closed doors. I must therefore delve deeper than these official reports. This required the analysis of more than four thousand letters written by company presidents and managers. These come mainly from the pens of Charles Watson, managing director and president between 1870 and 1888, and William McMaster, managing director from 1888 until the formation of Stelco in 1910. These letters provide a much more accurate idea of what preoccupied Montreal Rolling Mills' directors.

In order to understand the networks and relationships created by the experience of stockholding in a particular corporation, I constructed a database of every stockholder and stock transaction between 1868 and 1900. This was accomplished by cross-referencing the company's stock ledgers with its share transfer books. This was done to ensure accuracy, as for example the share transfer books do not record new stock issues. Stockholders were then identified using census data, municipal directories, and for the most prominent individuals, the *Dictionary of Canadian Biography*. The final database shows the interactions of 261 stockholder accounts and 677 individual transactions over four decades and paints a detailed picture of how stock created and reinforced relationships, effortlessly moving from person to person, sometimes clustering in either business or family networks.

A few caveats are in order. The breadth of the collection makes it impossible to write a definitive history. I do not tackle the question of prices, for example, and an historian researching

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<sup>31</sup> Richard White, *Railroaded: The Transcontinentals and the Making of Modern America*, (New York: W.W. Norton, 2012), xxx.

that subject would find much of interest. At the same time, the collection has its limits. Notably, as the company largely purchased its raw materials from and sold its products to wholesalers, it tells us frustratingly little about its supply chains.

Chronologically, this study begins in the 1850s with the dawn of industrialized hardware manufacturing in Montreal, and ends in 1909, just before plans were set into motion to merge the company into a giant new company. The creation of Canada's steel giant, I believe, requires its own specialized study. It is organized around three acts corresponding with the primary decision-makers for Montreal Rolling Mills: Thomas Morland, the founder; Charles Watson, the merchant; and William McMaster, the manufacturer. Each act includes two chapters.

Chapter 1 shows how the corporation was transformed in the mid-nineteenth century into an instrument to protect bourgeois wealth and power. I show that the shift to general incorporation statutes explains the explosion in the number of incorporated companies, not the other way around. It was only when incorporation was removed from the threat of public scrutiny that we see the development of the Canadian corporation nation. I then argue that the corporation was not a liberal institution, but rather a conservative one, existing outside the usual public / private binary of mid-Victorian society.

Chapter 2 switches gears to analyze the formation of Montreal Rolling Mills, showing the company's place within Montreal society and the city's extensive hardware trade. Massive changes were taking place in the 1850s-60s, with incidental tariff protection being erected in response to the Panic of 1857 incentivizing investment in the secondary iron industry. Montreal Rolling Mills was a creature of the Square Mile elite and was consciously formed as an ostentatious display of wealth and power, while also being resolutely modern, combining both production and distribution in an era where this was uncommon. The company's founders took

advantage of changes in incorporation laws to create a behemoth and were immediately attacked by their competition as a result.

Chapter 3 tells the story of a decade of crisis for the new company, as it survived both the death of its founder in 1870 and the unprecedented economic crisis that defined the decade. This was a major downturn that decimated thousands of companies, but Montreal Rolling Mills came away largely unscathed and never missed a dividend payment. This was a result of two factors: the great power and wealth of the company's initial shareholders, and the efforts it deployed to maintain some preferential incidental tariff protections from the free trading Liberal government of Alexander Mackenzie. These political efforts would continue and lead to the Montreal bourgeoisie's crucial contribution in the defeat of the Liberals and the creation of the Conservative National Policy regime at the end of the decade. Meanwhile Montreal Rolling Mills continued to raise capital by strengthening personal alliances and its connections with the powerful Bank of Montreal.

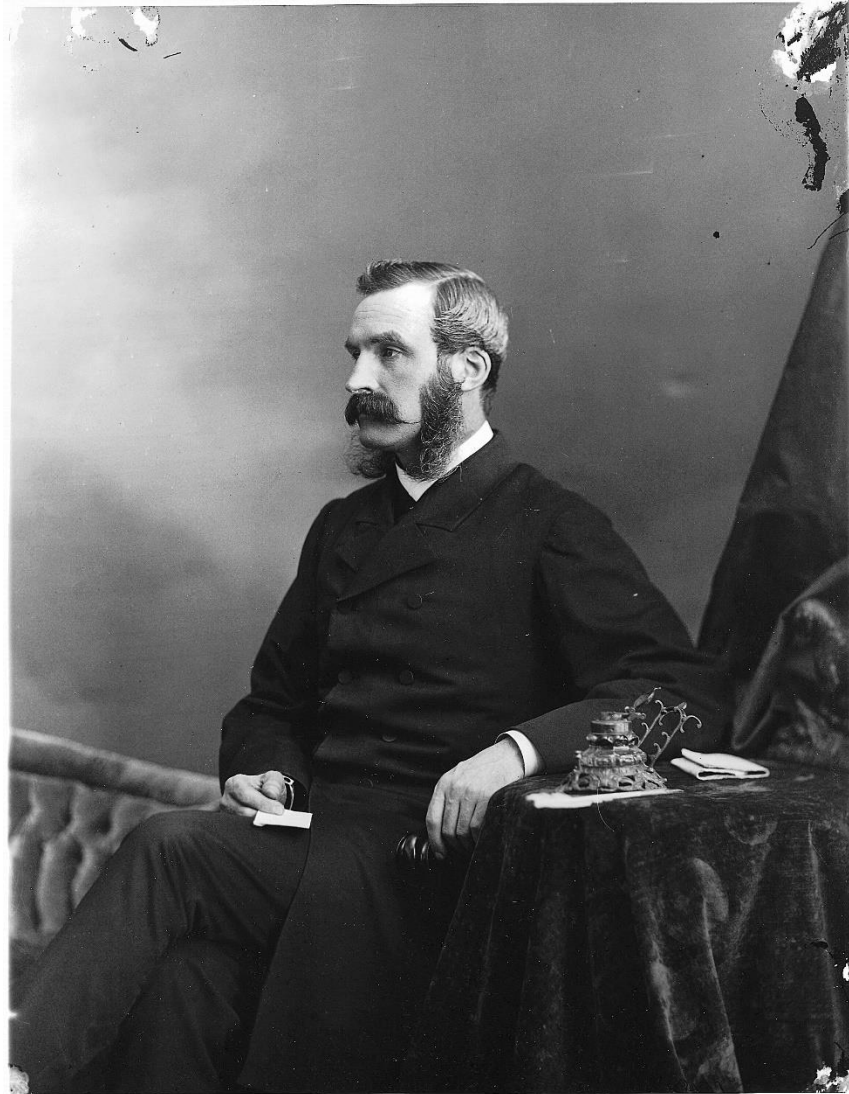
Chapter 4 looks at the recovery of the 1880s. While bourgeois Montrealers benefited from more positive economic headwinds, they faced multiple challenges to their preeminent position in the Dominion. For Montreal Rolling Mills, their most redoubtable opponents were Nova Scotian primary iron producers, who demanded high tariffs on the very commodities hardware manufacturers imported. Bourgeois Montrealers still had the ear of the Conservatives, but learned to their dismay that others did as well. Meanwhile another challenge came from bourgeois women, who realizing they did not benefit from the same protections as men and asserted their rights to property. The final challenge came from the city, whose powers of taxation remained a threat, if a limited one considering Montreal Rolling Mills' influence in the small industrial suburb of Sainte Cunégonde.

Chapter 5 analyzes the expansion of the 1890s. Stockownership changed drastically in this period, as more and more women held shares under their own names instead of through the instrument of a trust held by a male family member or family friend. At the same time, the company had to contend with the return of the Liberal party to power and the familiar threat of free trade. Like in the 1870s, bourgeois Montrealers deployed their political influence and succeeded in getting tariff protection that they could live with. With secure tariff protections and a stable stockholder base, Montreal Rolling Mills' fortunes were secure enough that they could envision an ambitious expansion plan. Although the initial attempt to expand into Nova Scotia failed, the company doubled down on the Montreal market and took over two of its main competitors in the city, consolidating its local dominance.

Finally, Chapter 6 shows the enormous transformations that took place in the first years of the twentieth century. Having expanded as much as was possible under industrial capitalism, Montreal Rolling Mills began to deal with the problem of efficiency in the productive process. The increased speed and intensity now demanded of workers led to a dramatic rise in injuries, and the company sought protections against the threat of lawsuits and the hostility of public opinion. As the first decade of the century ended, bourgeois Montrealers and their allies had succeeded in creating multiple firebreaks protecting their wealth from popular politics, and Montreal Rolling Mills could envisage deploying an enormous amount of financial capital to amalgamate a new Canadian iron and steel giant.

**ACT I:**

**THE FOUNDER**



***Thomas Morland (1826-1870)***

Source: Notman Collection, McCord Museum, I-42177.

Thomas Morland was born in Wigtownshire, Scotland, in 1826, and very little is known about him before he moved to the Province of Canada in the late 1840s.<sup>32</sup> Like many Scots he entered

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<sup>32</sup> His birth year is indicated on his gravestone in Mount Royal Cemetery, the traditional resting place of his class. There is no entry for Thomas Morland in the *Census of the Canadas* of 1851, but there is one indicating the correct birth year in the contemporary English and Welsh census, indicating that he lived in Warwickshire, near Birmingham. It is entirely likely that Morland kept a home in England, especially as he had until recently been a traveller for the Montreal-based hardware merchant William Darling. This English census entry indicates that he was born in Wigtownshire, where there is a gravestone for Thomas Morland Sr., who died in 1879 at 85 years old, mentioning his son Thomas who died in Montreal.

seamlessly into the Montreal bourgeoisie, usually “in conjunction with one of the many Scottish enterprises in that city.”<sup>33</sup> He entered a partnership with William Darling around 1848 as a traveler for his hardware firm, quickly becoming a full partner with the firm renamed Morland & Darling. Business was clearly booming, as in 1853 he became an early resident of the Golden Square Mile, in what his credit report describes as “the finest place in Town” – Bellevue Terrace on Dorchester boulevard. His credit report indicates that he was a traveller “for a number of years,” but the municipal directory for 1849 makes it clear that he was in full partnership with Darling.<sup>34</sup> By this time, Darling's firm had dissolved and Morland went into business on his own, becoming involved in every facet of Montreal bourgeois society. He was commissioned as a Lieutenant in the militia, became Chairman of the Great Western Insurance Company, Governor of the Montreal General Hospital, and possibly of greatest significance for his status, President of the Ball Committee to welcome the Prince of Wales in 1860.<sup>35</sup>

In Victorian Montreal, social and familial networks could not be disentangled from business, something that Morland's credit reports clearly underline. In 1853, Morland married Jane Graham, a woman of some means according to the report, a windfall that certainly improved his financial standing among his peers. Meanwhile, the prestigious positions he held doubtlessly translated into business opportunities, as he “associates chiefly with officers and people of fashion.” In 1856 Morland was widowed, the report noting that tragically he was not left with

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<sup>33</sup> T. W. Acheson, “Changing Social Origins of the Canadian Industrial Elite, 1880-1910,” *The Business History Review* 47:2 (Summer 1973), 196.

<sup>34</sup> *Dun*, entries for 28 September 1852 and 31 May 1856. His credit report indicates that he was a traveller “for a number of years,” but the municipal directory for 1849 makes it clear that he was in full partnership with Darling.

<sup>35</sup> *Montreal Herald*, 31 January 1856, 2; 13 May 1859, 3; 14 May 1859, 2; 27 August 1860, 6. On the Prince of Wales' visit to Canada, see Ian Radforth, *Royal Spectacle: The 1860 Visit of the Prince of Wales to Canada and the United States* (Toronto: University Press, 2004).





**Figure II.1: Thomas and Helen Morland, 1866.**  
Notman Collection, McCord Museum, I-20391.1

any of his wife's money, a fact compounded by some significant losses in the Panic of 1857. Nevertheless, by the early 1860s, Thomas Morland had righted himself and was the very definition of a successful bourgeois Montrealer.<sup>36</sup>

In early 1861, Morland entered into a partnership with Charles Watson, a recent arrival from Great Britain with good connections in London, and James Rose, Morland's clerk, conveniently the brother of John Rose, then the Solicitor General for Canada East. The new firm, Morland, Watson & Co., was capitalized at roughly \$80,000.<sup>37</sup> In the 1860s, Morland continued his involvement in bourgeois business and society, becoming president of the Victoria Skating Club,

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<sup>36</sup> *Dun*, entries for 12 October 1857 and 16 March 1861, 196.

<sup>37</sup> *Ibid.*, entry for 29 June 1861, 93.

the first president of the Montreal City Passenger Railway Company, and auditor to the Grand Trunk Railway, the largest and most powerful company in the Province.<sup>38</sup> He also remarried in 1863 to Helen Elizabeth Servante, the daughter of Colonel Henry Servante, commander of the Royal Engineers in Canada. This alliance doubtlessly served to solidify his prestigious connections to the Empire within Square Mile society and underlines the importance of imperial networks for bourgeois Montrealers in this period.<sup>39</sup>

Thomas Morland found himself widowed again when Helen died in childbirth in June 1869. The next May, he visited Thomas Reynolds in Ottawa, and on the 25th he went to Government House, residence of the governor general, where he was seen to be in good health. That night, Reynolds awoke to “pneumatic groans” and found Morland collapsed on his hands and knees. Reynolds immediately sent for Charles Watson and Morland's doctor William Sutherland to come to Ottawa, but by the time they arrived Morland had died.<sup>40</sup> He was only 43. His four orphaned children were sent back to Great Britain to live with their grandparents, Henry Servante having by then been promoted to General.<sup>41</sup> After Morland's death a number of his friends set up a fund in his honour that had a wing of the Montreal General Hospital named after him, one of the few testaments to his importance to city's bourgeoisie.<sup>42</sup> He was, however,

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<sup>38</sup> “Grand Trunk Railway of Canada,” *Montreal Herald*, 20 July 1861, 2; *Montreal Herald*, 7 November 1861, 2; “The Visit of the Prince: Continuation of the Festivities on Tuesday,” *Montreal Herald*, 29 November 1866, 2.

<sup>39</sup> Lovell 1862-63, Census of the Canadas, 1860-61.

<sup>40</sup> *Montreal Herald*, 27 May 1870.

<sup>41</sup> Morland's eldest son Thomas is far better known than his father, having served as a corps commander in the Great War. However, his biography contains several factual errors about his father, notably that he was a “manufacturing engineer” when in fact he was a wholesaler and that he “played an important part in the construction of the Canadian Pacific Railway,” which of course is impossible since he died a decade before it was started. H. de. Watteville, “Morland, Sir Thomas Lethbridge Napier (1865–1925),” *Oxford Dictionary of National Biography* (1937).

<sup>42</sup> *The Globe* (Toronto), 30 June 1870, 1. This donation is mentioned in the most recent history of the hospital, but not Morland himself, and his name is misspelled “Moreland.” See Joseph Hanaway and John H. Burgess, *The General: A History of the Montreal General Hospital* (Montreal & Kingston, 2016), 37.

survived by Montreal Rolling Mills, a company that, by the twentieth century, was one of the largest in the Dominion.

## CHAPTER I

*“Nothing but Corporations from one end of the country to the other”*

### Making the Corporation in Mid-Victorian Canada

On 15 March 1849, the Legislative Assembly of the Province of United Canada met at the Parliament in Montreal. Tensions were high. That day, the Legislative Council, the Province’s upper chamber, informed the Assembly that they had passed without amendment the *Act to provide for the Indemnification of parties in Lower Canada whose property was destroyed during the Rebellion in the years one thousand eight hundred and thirty-seven and one thousand eight hundred and thirty-eight*. Within six weeks an outraged Tory mob would burn the Parliament to the ground and assault the Governor General, after which Montreal would, perhaps understandably, be stripped of its position as the capital of the Province of Canada. But the acrimonious debate that day had nothing to do with what became known as the Rebellion Losses Bill. It instead involved the request for incorporation of the Quebec Warehousing Company.<sup>43</sup>

The debate centered around the privileges requested by the company, principally limited liability. Henry Sherwood, Member of Parliament for Toronto and an opponent of the bill, agreed that limited liability was necessary to “promote the introduction of new manufactures, &c.” but that it should not be extended to “a mere common warehouse and carrying establishment [...]” Pierre-Joseph Olivier Chauveau, MP for Québec County, countered that such companies were already being incorporated with limited liability in the United States, and asked Sherwood “if he had reflected upon the character of the warehousing system of New York,

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<sup>43</sup> Journals (1849), 157. For a recent treatment of the Rebellion Losses Bill riots in Montreal, see Dan Horner, *Taking to the Streets: Crowds, Politics, and the Urban Experience in Mid-Nineteenth-Century Montreal* (Montreal and Kingston: McGill-Queen’s University Press, 2020), 175-213.

and upon the large trade which it had withdrawn from Canadian ports to attract to New York?” Sherwood stood his ground, arguing that granting a charter to the Quebec Warehousing Company “would do an injustice to individuals now carrying on this trade” and that soon there would be “others springing up in all parts of the Province, and coming to them for similar Charters.” Robert Baldwin, MP for North York and joint prime minister, was equally concerned. Although, like Sherwood, he accepted that the limited liability joint-stock corporation was necessary “to obtain that concentration of capital so necessary” for mining and railway companies, there needed to be a limit. Baldwin believed that the Assembly “should establish some general principle, or they would have Charters for everything” and, in an oft-quoted phrase, he warned that “unless a stop were put to it, there would be nothing but Corporations from one end of the country to the other.”<sup>44</sup>

Baldwin was prescient. Within a few decades the joint-stock corporation would become the dominant form of business organization in Canada, and the Dominion became a “corporation nation,” one in which the business corporation was the norm rather than the exception.<sup>45</sup> But there was nothing inevitable about this radical transformation. Indeed, Thomas Morland’s decision to form Montreal Rolling Mills as a joint-stock corporation rather than a private partnership, two decades after Baldwin’s speech, was an unusual one at the time. This was the dawn of the second corporate era, the end of a long period in which governments, weary of the power and potential danger of joint-stock business corporations, severely limited their formation.

Although British North America inherited its legal structures from England, the business corporation tended to be less controversial than in the metropole. With the transition from

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<sup>44</sup> Debates (1849), 1347-1349.

<sup>45</sup> Robert E. Wright, “Capitalism and the Rise of the Corporation Nation,” in *Capitalism Takes Command: The Social Transformation of Nineteenth-Century America*, eds. Michael and Gary J. Kornblith (Chicago: Chicago University Press, 2012), 148-149.

individual acts to incorporation by registration, there was a large increase in joint-stock corporations. The conventional interpretations of these developments attribute them to a liberalization and democratization of society, with the incorporation process removed from state authority and made the responsibility of individual businessmen. However, this chapter will argue that what bourgeois Montrealers feared was an increasingly democratic state controlled by an enlarged franchise made up of workers and other members of the “dangerous” classes. It was the fear of “mobocracy” and the challenges to their wealth that would come with it that explains the large number of corporations formed during this period. Bourgeois Montrealers used this form of business organizations as a way to protect their wealth from a dangerously democratic state. The rise of the joint-stock corporation was thus a crucial plank in a wider counteroffensive against democratization in Canada, with the corporation being transformed by bourgeois Montrealers into a conservative space where they created and reinforced relationships.

### *The Rise and Fall and Rise of the English Joint-Stock Corporation*

Few would dispute that since the mid-nineteenth century we have lived in a world dominated by corporations. However, as David Ciepley reminds us, this is the *second* corporate era. The first era grew out of the needs of feudal governments, where corporations were chartered to run universities, build roads, conduct long distance trade, and perform other activities benefitting the commonweal. This involved creating a separate, subsidiary government with its own jurisdiction that owed its existence to the Crown. The corporation was granted three primary rights: “(1) the right to own property, make contracts, and sue and be sued, as a unitary entity (a legal ‘person’); (2) the right to centralized management of this property; and (3) the right to establish and enforce rules within its jurisdiction *beyond* those of the laws of the land – such as the monastic *Regula*

*Benedictii*, town ordinances, bylaws, and work rules.” None of these rights were particular to the business corporation. Indeed, once the corporation began to be used to organize businesses, a fourth right was added: “the right to turn this governing authority and property to the pursuit of private profit.”<sup>46</sup>

By the seventeenth century, one of the most important needs joint-stock corporations fulfilled for perpetually broke European monarchies was providing cost-effective imperialism. Besides regular payments to the Crown in exchange for various monopolies, joint-stock corporations “covered the expense of maintaining embassies and other overseas representatives as well as forts and other naval, military, and trade facilities.”<sup>47</sup> Both the English and French monarchies utilized corporations for settling their North American claims, with mixed results to be sure. But it was in long-distance trade that joint-stock corporations were most successful, and starting in the mid-sixteenth century, European monarchies chartered a number of them, notably the Hudson’s Bay Company, the Company of One Hundred Associates, and the various East India companies.

Ron Harris identifies three phases of the pre-1720 business corporation in England. First, there were the great monopoly trading companies like the East India Company that flourished in the early decades of the seventeenth century. However, political instability caused by the long conflict between Crown and Parliament, especially the passage of the Statute of Monopolies in 1623 which attacked the Crown’s ability to finance itself through the free sale of monopolies, undermined the great trading companies. This led to a second phase, where the English Civil War and eventually wars with the Dutch Republic and France damaged the political power and

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<sup>46</sup> David Ciepley, “Beyond Public and Private: Toward a Political Theory of the Corporation,” *American Political Science Review* Vol. 107, No. 1 (February 2013), 139-141.

<sup>47</sup> Ron Harris, *Industrializing English Law: Entrepreneurship and Business Organization, 1720-1844* (Cambridge: University Press, 2000), 42-43.

profitability of the companies, and many joint-stock corporations like the Russia Company were transformed into regulated companies. In the first two decades of the century, forty companies were formed in England. From 1631 to 1680, less than ten were. The resumption of a certain political stability after the 1680s was accompanied by renewed growth of joint-stock corporations. For our purposes, one of the most significant changes that took place in this third phase was that with Parliament now dominant, most new corporations were chartered by an act of Parliament rather than having it directly granted by the Crown. This phase also saw the appearance of moneyed corporations, those companies that played “a central role in national finance” like the East India Company and the South Sea Company.<sup>48</sup>

The South Sea Company was founded in 1711 to profit from the riches of South America and had received a monopoly for trade in the region. However, its directors rather quickly gave up on overseas trade and concentrated on public finance, and in 1720, they initiated a scheme to turn the country’s debt into South Sea Company stock that failed so spectacularly that it dragged the British economy down with it.<sup>49</sup> At least somewhat in response to the debacle Parliament passed the “Bubble Act,” which severely curtailed the ability of businessmen to form new joint-stock corporations, especially smaller “bubble companies,” while also serving to protect the most powerful of the moneyed companies.<sup>50</sup>

This marked the end of the first corporate era. One of the British Parliament's main concerns was the perceived irresponsibility that came with limited liability. The risk of losing one's fortune was considered to be a necessary deterrent against fraud, and while many of their

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<sup>48</sup> *Ibid.*, 40-56.

<sup>49</sup> *Ibid.*, 56-57.

<sup>50</sup> The “Bubble Act” (6 Geo. I c.18 (1720)), formally entitled “An Act for better securing certain Powers and Privileges, intended to be granted by His Majesty by Two Charters, for Assurance of Ships and Merchandize at Sea, and for lending Money upon Bottomry; and for restraining several extravagant and unwarranted Practices therein mentioned,” has been the subject of enormous historical debate. For an excellent synthesis of the controversy see Harris, *Industrializing English Law*, 60-81.



contemporaries moved in the direction of expanded limited liability in the second half of the eighteenth century, “Britain moralistically resisted it.” Crucially, limited liability struck at the core of how capitalists justified their wealth. The bourgeoisie “had been able to justify its inequalities with the thought that they were not only more diligent and resourceful, but also more daring than the workers, and consequently more vulnerable.” Critics pointed out that limited liability allowed them to maintain this inequality while also reducing their vulnerability.<sup>51</sup> But businessmen did not seem overly bothered by the contradiction of painting themselves as heroic entrepreneurs while sealing off their riches from the consequences of their actions. Wealth had to be protected, even at the cost of consistency.

Rather than the corporation, the most common form of business organization until the last third of the nineteenth century was the private partnership. These were legally enforced contracts between two or more individuals that usually ended after a set number of years (although they were often extended). There were two major types: the general partnership and the limited partnership. The difference between these two types was that the limited partnership offered some of its members limited liability, while the general partnership did not, and English Common Law (which British North America would inherit) did not permit the formation of limited partnerships. In either case, the partnership did not create a separate legal entity distinct from the individuals who formed it. Businessmen part of a private partnership could be named in litigation, and even in a limited partnership at least one member was individually responsible for the organization’s legal liabilities (especially its debts). Unlike

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<sup>51</sup> Boyd Hilton, *The Age of Atonement. The Influence of Evangelicism on Social and Economic Thought, 1785-1865* (Oxford: 1986), 255-257, 267

corporations, private partnerships could be created by individuals without authorization or interference from the state.<sup>52</sup>

Regardless, by the turn of the nineteenth century, British businessmen were increasingly clamouring for limited liability as it proved an essential protection especially for the increasing number of smaller investors who feared ruination at best, or the horror of debtor's prison at worse, should something go wrong. Joint-stock corporations were becoming increasingly common by the early nineteenth century, and their number and size expanded rapidly from the 1820s due to a combination of the "repeal of the Bubble Act, the abolition of the corporate monopolies in marine insurance and banking, [and] the diffusion of new technology [notably railroads] and of economy of scale [...]" Finally, in 1844, the British Parliament passed the Companies Act allowing for the creation of joint-stock corporations through registration, with limited liability coming a decade later in 1855.<sup>53</sup> The second corporate era had arrived, and bourgeois Montrealers would be determined to have their part of it.

### *Bourgeois Montrealers and Canada's Monied Metropolis*

From its founding in the seventeenth century, Montreal had always been a commercial city. It sat at the crossroads of a river system linking it to the west (the Ottawa), south (the Richelieu), and most importantly, southwest to the Great Lakes and into the continental interior (the Upper Saint Lawrence). From this privileged position, the city became one of the major centres of the fur trade, the fortunes made leading to the formation of a French mercantile bourgeoisie. After the Conquest, English and Scottish Protestants rapidly integrated themselves into extant fur trade networks and within a few years came to dominate the colony's economy. Capital accumulated

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<sup>52</sup> Harris, *Industrializing English Law*, 19-21.

<sup>53</sup> *Ibid.*, 131-132, 193-198, 218, 282-283.

in the mansions and counting houses around the city's bustling port, and by the time the fur trade declined at the beginning of the nineteenth century, bourgeois Montrealers were actively diversifying their operations. In 1817, a consortium formed the Bank of Montreal to provide improved financial services, and several more banks followed in the following decades.<sup>54</sup>

In the early 1830s, Montreal's population surpassed that of the old capital, Québec, but it had long ago cemented its economic dominance. The dredging of the Lower Saint Lawrence between the two cities allowed ocean-going vessels to reach the port of Montreal, and the construction of the Lachine Canal radically improved the efficiency of the transportation system to the Great Lakes. To consolidate their dominance of the transportation system, bourgeois Montrealers – the “River Barons” – spearheaded British North American rail construction, with the colony's first railroad, the Champlain and St. Lawrence Railway, linking the metropole to Saint Johns on the Richelieu River in 1836. The cost of railroads outstripped even the considerable capital that had accumulated in Montreal, so most of the investments that went into their construction came from Britain, fortifying ties between the city on the Saint Lawrence and the Imperial centre.<sup>55</sup> By the time bourgeois Montrealers decided to industrialize in 1846, the city had become British North America's undisputed economic metropolis, as well as its social and political centre.<sup>56</sup>

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<sup>54</sup> For the city's development under the French régime, see the still very influential Louise Deschêne, *Habitants et marchands de Montréal au XVII<sup>e</sup> siècle* (Paris: Plon, 1974). On communications and the river system, see Kenneth J. Banks, *Chasing Empire Across the Sea: Communications and the State in the French Atlantic, 1713-1763* (Montreal and Kingston: McGill-Queen's University Press, 2003). On the city's relationship with the river, see Michèle Dagenais, *Montréal et l'eau : une histoire environnementale* (Montréal : Boréal, 2011). For economic development after the Conquest, see Fernand Ouellet, *Histoire économique et sociale du Québec, 1760-1850* (Montréal: Fides, 1966). For the integration of English and Scottish Protestants in the fur trade, see Aisling MacQuarrie, *Running the Rivers: The North West Company and the Creation of a Global Enterprise, 1778-1821* (PhD Thesis, University of Aberdeen, 2014). For a recent, detailed synthesis of Montreal's economic development in the nineteenth century, see Anne-Claude Labrecque and Dany Fougères, “L'économie montréalaise au XIX<sup>e</sup> siècle,” in Fougères ed., *Histoire de Montréal et de sa région*, I:485-534.

<sup>55</sup> See Tulchinsky, *The River Barons*.

<sup>56</sup> See Robert Sweeny, *Why Did We Choose to Industrialize? Montreal, 1819-1849* (Montreal and Kingston: McGill-Queen's University Press, 2015).

By the mid-1860s, bourgeois Montrealers were seeing themselves, or more specifically their wealth, under siege. They held a similar position in Canada as the New York bourgeoisie held in the United States, but although as Sven Beckert shows bourgeois New Yorkers also felt under threat, the Montrealers were in a much more complex and potentially dangerous situation.<sup>57</sup> Bourgeois Montrealers were a British Anglo-Protestant ethnic enclave in an overwhelmingly French Catholic province, itself a part of a largely Anglo-Protestant country in an aggressively Americanizing continent. Although the richest and most powerful group in British North America, they were well aware that increasing democratization could be followed by challenges to their wealth, and, like American slaveholders and industrialists, they “would not permit majorities [...] to make decisions affecting their ‘property’ [...]”<sup>58</sup> The city was also a matter of concern, and working-class violence during elections in this period was a tangible illustration of the threat from below.<sup>59</sup>

This generation of bourgeois Montrealers had lived through several tumultuous events that did nothing to assuage their fears. The most obvious were the Rebellions of 1837-38 which many of their older members had contributed to suppressing.<sup>60</sup> For younger bourgeois Montrealers in the 1860s, a particular source of apprehension was the American Civil War, which held a completely different meaning for them than for their New York contemporaries. For bourgeois New Yorkers, the war was a unifying moment that resolved the social conflict around the institution of slavery and contributing to the consolidation of their class. Having maintained the Union, and therefore their access to southern commodities while eradicating southern planters as

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<sup>57</sup> Beckert, *Monied Metropolis*, 211.

<sup>58</sup> Einhorn, *American Taxation, American Slavery*, 250.

<sup>59</sup> Colin Grittner, “Of Bludgeons and Ballots: Political Violence, Municipal Enfranchisement, and Local Governance in Mid-Nineteenth-Century Montreal,” in eds. Elizabeth Mancke et al., *Violence, Order, and Unrest: A History of British America, 1749-1876* (Toronto: University Press, 2019), 336.

<sup>60</sup> On the Rebellions, see Michel Ducharme, *Le concept de liberté au Canada à l’époque des Révolutions atlantiques, 1776-1838* (Montreal and Kingston: McGill-Queen’s University Press, 2010).

economic rivals, they came out of the war stronger than ever.<sup>61</sup> For bourgeois Montrealers, the war was instead a destabilizing moment. Although there were few if any outspoken supporters of slavery, they viewed the British abolition of slavery in 1833, which was peaceful and perhaps more importantly compensated slave owners for their expropriated property, as the proper path to emancipation. The American model, driven by mass antislavery popular politics leading to a war that killed 800,000 people, was to them a terrifying demonstration of the threat of republican democracy.<sup>62</sup>

The fear that an expanded democracy would result in the poor voting away the rich's wealth is as old as Aristotle, but in the mid nineteenth century this apprehension became even more acute. In Britain, the Great Reform Act of 1832 had expanded the franchise to all forms of property while at the same time abolishing many old customary rights that had allowed some artisans and workingmen to vote. This replaced a personal with an impersonal system whereby all holders of property had the same rights. Lord Durham had been instrumental in achieving this in Britain, and when he was sent to Canada after the Rebellions, he recommended that the same principles be imposed.<sup>63</sup> The result however was what was seen as an uncomfortably broad franchise, as most property owners and renters passed the minimum threshold required to vote. The complaints of British investors about "underperforming investments in the colony were often infused with the language of class, the implication being that Canada was too democratic."<sup>64</sup>

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<sup>61</sup> Beckert, *Monied Metropolis*, 112-13, 144-46.

<sup>62</sup> Robin W. Winks, *The Civil War Years: Canada and the United States* 4<sup>th</sup> ed. (Montreal and Kingston: McGill-Queen's University Press, 1998 [1960]), 206-243; Matt Karp, "The Mass Politics of Antislavery," *Catalyst* Vol. 3, No. 2 (Summer 2019).

<sup>63</sup> E.A. Heaman, *Civilization: From Enlightenment Philosophy to Canadian History* (Montreal and Kingston: McGill-Queen's University Press, 2022), 203-211.

<sup>64</sup> Andrew Smith, *British Businessmen and Canadian Confederation: Constitution Making in an Era of Anglo-Globalisation* (Montreal: McGill-Queen's University Press, 2008), 4.

The Legislative Assembly had made efforts to rein in democratic popular politics in Canada during the Union period, for example by abolishing the voting rights of propertied women in 1849.<sup>65</sup> But it would take Confederation to take a major step towards de-democratization. According to Colin Grittner, the advent of responsible government in 1848 opened the door “to the further democratization of British North America, should the people so desire.” And desire they did, prompting a furious anti-democratic backlash from capital, with Confederation emerging as the best protection against democratic claims on accumulated wealth. By creating a “sphere of government that superseded even that of the provinces [...] with appropriate constitutional safeguards erected, democracy would itself hived off in a provincial space where it could do less damage.”<sup>66</sup>

The corporation would be a safe space for capital, particularly British capital, the lifeblood of the Canadian economy. As Andrew Smith shows, the British North America Act was largely a way to reassure skittish British investors that their money would not be voted away by working class voters. He points out that the political and economic elite believed that “colonial democracy needed to be tempered by a stiff dose of aristocracy and monarchy. Yankee democracy, with its (white) manhood suffrage, elected judges, and debt repudiations, was a terrible evil that needed to be avoided.”<sup>67</sup> The joint-stock business corporation, especially when

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<sup>65</sup> Bettina Bradbury, “Widows at the Hustings: Gender, Citizenship, and the Montreal By-Election of 1832,” in *Women on Their Own: Interdisciplinary Perspectives on Being Single*, eds. Rudolph M. Bell and Virginia Yans (New Brunswick, NJ: Rutgers University Press, 2008), 83-84, 105. On women’s voting rights in Québec more broadly, see Denyse Baillargeon, *Repenser la nation : histoire du suffrage féminin au Québec* (Montréal: Les éditions du remue-ménage, 2019).

<sup>66</sup> Colin Grittner, “A Tendency towards Mobocracy? The Democratic Realities of Nineteenth-Century British North America,” *Constant Struggle: Histories of Canadian Democratization*, eds. Julien Mauduit and Jennifer Tunnicliffe (Montreal and Kingston: McGill-Queen’s University Press, 2021), 207-218.

<sup>67</sup> Smith, *British Businessmen and Canadian Confederation*, 130-131. Whatever the “evils” of Yankee democracy, the United States nonetheless became a major destination of British capital in the 1830s, serving to stabilize the U.S. economy. See Jason Opal, “Patriots No More: The Political Economy of Anglo-American Rapprochement, 1815-1846,” *Revolutions Across Borders: Jacksonian America and the Canadian Rebellion*, Maxime Dagenais and Julien Mauduit eds. (Montreal and Kingston: McGill-Queen’s University Press), 41-42.

accompanied by limited liability and the ability to incorporate by registration rather than through individual Act of Parliament, served to guarantee the safety of British investment and therefore the continued inflow of British capital.

The project of using the federal government to protect bourgeois Montrealers from the threats posed by an overly democratic province numerically dominated by French Catholics was clearly articulated by Alexander Tilloch Galt. Originally from Sherbrooke, where he had begun his commercial and political career, Galt became an integral part of the Montreal bourgeoisie in the mid-nineteenth century, even marrying into the prominent Torrance family in 1848.<sup>68</sup> In a major speech on 23 November 1864, he argued that the “General Legislature” – what would later become the federal government – would be the main instrument for the protection of minority rights, especially people like himself, “British Lower Canadians.” For Galt, “the British minority of Lower Canada, conspicuous for its wealth and intelligence, though not so much for its numbers, could not be outraged without important results following that would bring their own remedy with them.” Under the proposed federation, “[t]he interests of trade and commerce, those in which they felt more particularly concerned, which concerned the merchants of Montreal and Quebec, would be in the hands of a body where they could have no fear that any adverse race or creed could affect them. All those subjects would be taken out of the category of local questions, would be taken away from the control of those who might be under the influence of sectional feelings animated by either race or religion, and would be placed in the hands of a body where, if the interests of any class could be expected to be secure, surely it would be those of the British

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<sup>68</sup> Jean-Pierre Kesteman, “Galt, Sir Alexander Tilloch,” *DCB* vol. 12 (1990).

population of Lower Canada.” He singled out Montreal, which he argued “in cultivation of commerce and manufactures [...] stood pre-eminent [...]”<sup>69</sup>

Perhaps even more than the federal government, bourgeois Montrealers could count of the Conservative Party to protect their interests. John A. Macdonald viewed the state as an apparatus for distributing patronage, with the party as its primary mechanism. As E.A. Heaman shows, it was not subject to pesky annoyances like transparency, and “[i]n many respects the party had more capacity than the state to gather and disperse funds. Where the state was wholly ignorant of private households, the party generally knew someone who knew something of the circumstances of a given voter.”<sup>70</sup> The Conservatives ran a clientelist government, and as long as they were in government, bourgeois Montrealers could feel that their wealth was safe.

Macdonald’s almost twenty-year rule from 1854 to 1873, only punctuated by a short Liberal ministry in 1862-64 and a six-day stint out of power during the infamous Double Shuffle, was a source of stability and calm in what they feared were turbulent waters all around them.<sup>71</sup>

### *Reforming Incorporation Law in British North America*

While Great Britain fought over what were allowable types of business organizations, the United States was by the early nineteenth century a “corporation nation.” American corporations

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<sup>69</sup> *Speech of the Proposed Union of the British North American Provinces, delivered at Sherbrooke, C. E., by the Hon. A. T. Galt, Minister of Finance, 23<sup>rd</sup> November 1867* (Montreal: M. Longmoore & Co., 1864).

<sup>70</sup> E.A. Heaman, *Tax, Order, and Good Government: A New Political History of Canada, 1867-1917* (Montreal, 2017), 123-26.

<sup>71</sup> In 1858, Macdonald demonstrated his absolute mastery of parliamentary politics when his arch-nemesis George Brown formed a government by the barest of margins. According to parliamentary rules, to be appointed to the cabinet, MPs needed to resign their seats and stand for re-election by their constituents. After Brown and his prospective cabinet did so, Macdonald called a confidence vote, and the Brown ministry was defeated. The Governor General then refused to call new elections, giving Macdonald the chance to form a government. Brown assumed that Macdonald’s cabinet would also have to resign its seats and stand for re-election, but the Old Chieftain had found a loophole that allowed cabinet members to switch portfolios without resigning their seats so long as not more than one month had passed. Macdonald duly changed the portfolios of his cabinet ministers, then promptly changed everyone back, and returned to power after less than a week in opposition.



were almost always granted the ability to extend limited liability to their shareholders, which made the young republic a very attractive space for investment, certainly a boon for a country desperate for capital.<sup>72</sup> British North America was similarly capital poor, which could explain why even though it inherited English legal forms, limited liability was a far less controversial affair. In the first half of the nineteenth century most Canadian incorporation charters included limited liability protections and the 1849 *Interpretation Act* went further, codifying limited liability as the norm for all corporations unless a specific exemption was made in a company's act of incorporation.<sup>73</sup>

Along with the normalization of limited liability, the early-Victorian period saw the gradual and eventually widespread adoption of general incorporation statutes, which allowed incorporation by registration. This typically involved a two stage process. First, a public statement would be issued in the official *Canada Gazette* (and after Confederation the *Québec Gazette*) as well as a paper of record in the municipality where the company would operate declaring the intention of forming the company (in Canada East and then Québec notices needed to be published in both an English and a French newspaper, as well as the *Gazette*). This was then followed by the submission of a deed of incorporation to the responsible governmental authority for a charter of incorporation. This submission typically included the names and residences of the applicants (usually the future shareholders and directors), the proposed name of the company, the location that the company would operate in, the purpose of the company, the amount of nominal capital of the company, and the number and value of shares initially issued.<sup>74</sup> After these steps, the governor in council (the Cabinet) could issue a charter of incorporation.

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<sup>72</sup> Wright, "Rise of the Corporation Nation," 148-149.

<sup>73</sup> 12 Vic. (1849), c. 10, s. 5 (24). See also R.C.B. Risk, "The Nineteenth-Century Foundations of the Business Corporation in Ontario," *The University of Toronto Law Journal* Vol. 23, No. 3 (Summer, 1973), 295-296.

<sup>74</sup> Harris, *Industrializing English Law*, 283-284.

This went a long way towards depoliticizing the incorporation of joint-stock corporations. The Cabinet was a partisan body, and final approval for incorporation would come, more often than not, through the instrument of the Conservative Party, not the legislature. In British North America, the move towards individual statutes began in 1836, starting with building societies and infrastructure projects like roads and bridges, before extending to railroads and banks. Mining and manufacturing companies received the right to incorporate without an act of Parliament in 1850 for applications sent directly to the provincial secretary, and in 1860 and 1864 for applications through notice in newspapers of record.<sup>75</sup>

Why did the Canadian legislature adopt general incorporation statutes? Richard Risk, in his pathbreaking work on the development of the business corporation in Canada, argued that unlike in the United States, which adopted incorporation by registration because of a belief “that incorporation should be a right of all businessmen and not a privilege for a few,” in what would become Ontario the “major justification for these statutes was avoidance of the expense and legislative effort required for incorporation by individual statutes.” For Risk, this is explained by Ontario being at a “substantially different stage of economic development” than England or the United States, whose “wealth, population, and business activity were much greater, and many hundreds of corporations had already been created by individual statutes.”<sup>76</sup> Although every historian of the Canadian corporation owes a debt of gratitude to Risk, he anchors his research on an anachronistic political unit (Ontario). In reality almost every major development he looks at happened during the Union period and therefore cannot be explained by simply looking at one of the colony’s two sections. The Province of Canada was not a federation, and incorporation law cannot be neatly separated into the histories of the two provinces that would succeed it in 1867.

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<sup>75</sup> 13 & 14 Vic. c. 28, 23 Vic. c. 31, 27 & 28 Vic. c. 23. Also see Risk, “Business Corporation,” 273-276.

<sup>76</sup> Risk, “Business Corporation,” 275.

Unlike Canada West, the area that would become Ontario, mid-Victorian Montreal had little to envy with regards to wealth or business activity, and the city's bourgeoisie had as much to gain from the move to limited liability and incorporation by registration as the British contemporaries with whom they were so tightly intertwined. Canada West's "different stage of economic development" therefore cannot explain why incorporation by registration was adopted so widely in the decades before Confederation.

Instead, what explains the rapid and widespread adoption of incorporation by registration was the political process itself. The 1864 act proved to be the watershed moment in the rise of the Canadian corporation nation. Before its passing, very few businesses were incorporated by registration, but as Table 1.1 shows as soon as the 1864 act was made law the numbers of incorporations increased dramatically. The 1860 and 1864 acts were superficially similar but contained several important differences. Most notably, in 1860 the awarding of a charter was not automatic, but rather was subject to investigation by the Superior Court, and included a provision that any person, including the Solicitor General, could object to the company's incorporation. The 1864 act did away with this, offering no real mechanism for refusing incorporation to a company that completed all the requirements of the request. If an error was detected, the authorities would return the request to be modified. Risk estimates that roughly half of requests had defects, and about half were properly corrected. Furthermore, the number of companies requesting individual acts remained fairly steady, with between 22 and 37 charter requests submitted to the Legislative Assembly for seven out of ten of the years before Confederation, nowhere near the 134 that were registered in 1866 alone (see Table 1.2). This suggests that it was not so much a question of businessmen switching from requesting individual statutes to registration, but rather that many dozens of companies did not bother to request a charter from

**Table 1.1: Number of Requests Made Compared to Charters Granted by the Legislative Assembly, 1857 to 1866.**

| Year | No. of Requests | No. of Requests Considered | No. of Charters Granted | % of Requested Charters Granted |
|------|-----------------|----------------------------|-------------------------|---------------------------------|
| 1857 | 43              | 28                         | 23                      | 53.5                            |
| 1858 | 37              | 19                         | 9                       | 24.3                            |
| 1859 | 31              | 20                         | 13                      | 41.9                            |
| 1860 | 22              | 16                         | 12                      | 54.5                            |
| 1861 | 25              | 17                         | 12                      | 48                              |
| 1862 | 26              | 15                         | 8                       | 30.8                            |
| 1863 | 39              | 23                         | 21                      | 53.8                            |
| 1864 | 58              | 46                         | 40                      | 69                              |
| 1865 | 37              | 23                         | 14                      | 37.8                            |
| 1866 | 54              | 21                         | 20                      | 37                              |

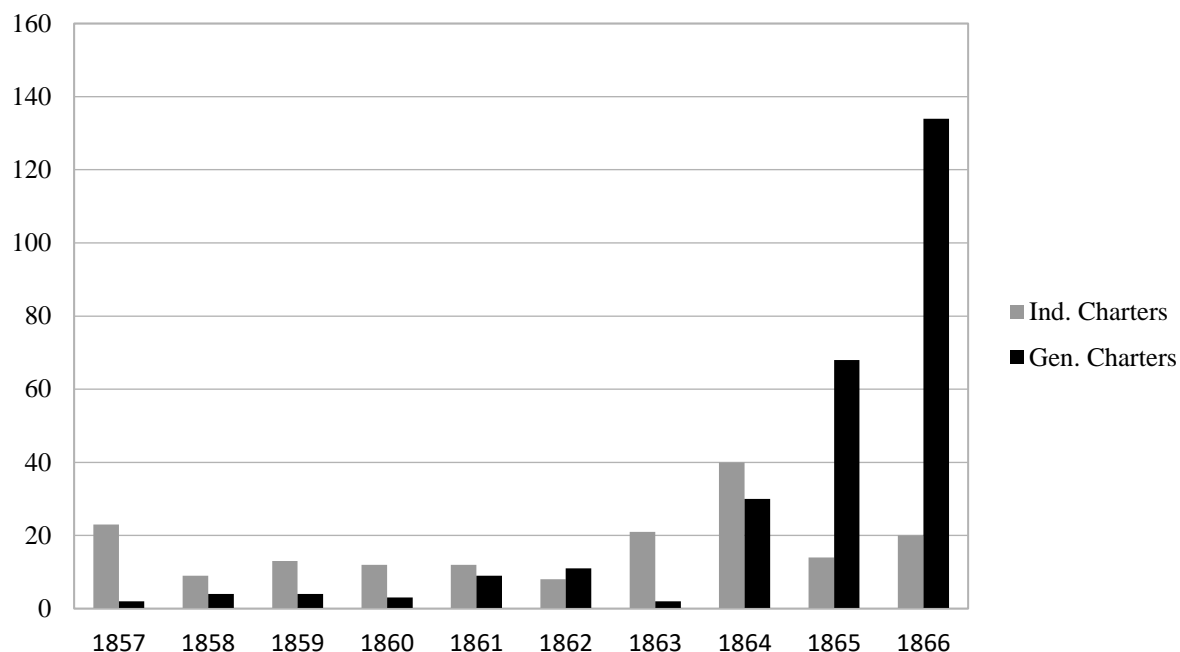
Note: This table was compiled by comparing the notices of individual requests for incorporation in the *Canada Gazette* with individual charters considered and granted by the Legislative Assembly of the Province of Canada. This is not an exact science. Requests for individual charters were never uniform, and often so vague it is impossible to say conclusively what the petitioners intended the corporation to do. I have attempted to pick out all requests for profit-seeking businesses and not associations, societies, towns, or villages. However, the lack of precision and clarity in the requests makes it impossible to make a comprehensive list. Collating requests with acts considered and passed is similarly imprecise as some requests were renamed when they were introduced in the Legislative Assembly. Nonetheless, most charters granted could be traced back to the original requests, and therefore this table serves as a very good approximation of the wide gulf that existed between petitions and successful incorporations.

Source: *Canada Gazette*, 1856 to 1866, *Journals of the Legislative Assembly of the Province of Canada*, 1856 to 1866.

Parliament before 1864. Risk argued that this change was in large part due to legislators not wanting to deal with the numerous demands that were made year after year.<sup>77</sup> This would be consistent with Harris' observations about the process in England, where it was eventually decided that "all petitioners should seek a charter rather than an act and should bother the Law Officers rather than Parliament."<sup>78</sup> But all this tells us is that Parliament did not consider the corporation to be something that required democratic oversight anymore. In both England and

<sup>77</sup> Risk, *Business Corporations*, 275, 277 n. 40.

<sup>78</sup> Harris, *Industrializing English Law*, 260.

**Table 1.2: Comparison of Requests for Individual Charters and Requests for General Charters, 1857 to 1866.**

Source: *Canada Gazette*, 1857 to 1866.

British North America, the political elite concluded that creating a corporation was no longer a question that should be publicly debated in the legislature but rather privately assented to through an administrative process.

It is also notable that pre-1860 versions of general incorporation statutes were rarely used. Only after companies could send their requests to be approved by appointed officials like the Provincial Secretary or Cabinet, and therefore not debated by the legislature, did the use of incorporation by registration take off. This is entirely consistent with the British experience after the passage of the Company Act of 1844, which similarly saw an explosion in the number of corporations created through registration once it became possible to do so.<sup>79</sup> The other major advantage of registration was that company rules and regulations were held internally and could

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<sup>79</sup> *Ibid.*, 288.

be modified at any time by directors, while corporations created through individual statutes were forced to petition elected officials for amendments to what were, after all, Canadian laws.

Much had changed between the first and second corporate eras, but few developments were as significant as the rapidly expanding franchise. The second corporate era began at the same time as the rise of mass democracy and liberalism and has often been seen as directly flowing from these transformations. But the coming of the corporation nation was not a consequence of these ideas, but a rejection of them. Jean-Marie Fecteau sees the devolution of the power to form joint-stock corporations from the state to individuals as an example of democratization. Individuals seeking to form a corporation no longer needed to make a specific request from the State, but simply conform to established norms. State oversight was thus severely restrained, limited to instances of fraud or other abuses of a corporation's charter.<sup>80</sup> This may have been true in the first corporate era, but by the mid-nineteenth century the problem capitalists sought to overcome was not the lack of democracy, but rather the perceived threat of too much democracy.

Thus, the 1860s saw the culmination of a process of removing the joint-stock company from democratic oversight, as businessmen seeking the benefits of corporate rights, notably limited liability, were no longer subject to the scrutiny of elected officials and their constituents. Also gone was the fluidity and imprecision of the earlier system, replaced with a rational framework. The political process was hereafter excised from corporate formation for those capitalists that had the resources to take advantage of the new legal structure.

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<sup>80</sup> Fecteau, "Les petites républiques," 44-45 and n. 38.

*The Conservative Corporation*

In the first corporate era, the corporation was unambiguously a public institution. Its claim to special privileges was rooted in the social functions it provided for the commonweal, and it operated only with the express permission of the sovereign. From its roots as a subsidiary form of government in the feudal era, the corporation always had “some degree of accountability to a ‘public’ composed of shareholders, customers, and workers, and sharing the modern state's basic need of maintaining a semblance of legitimacy to survive.”<sup>81</sup> Should it fail in its public purpose, as the South Sea Company had, it could be terminated. In the second corporate era, the link between the corporation and social purpose was permanently severed, as the advent of incorporation by registration removed the corporation from the public. This resulted in two epochal transformations. The first was that the corporation would no longer be an institution defined by its social purpose, as it was freed from its responsibilities to the greater society. Occasionally, the removal of social purpose from the corporation was total – in the 1880s several legal judgements in Britain and the United States made charitable donations by corporations illegal, as “doing so ran counter to the interests of its shareholders.”<sup>82</sup> The second major change was that a corporation could now be organized without the specific authorization of the state. As we have seen, for centuries incorporation required the State to pass a law granting a charter – it was a political act. At first hereditary monarchs granted charters, but as power became vested in elected parliaments, businessmen would submit requests for incorporation which would be debated in first and second readings and then voted upon by politicians before becoming law. General incorporation charters allowed businessmen to do away with this political process and

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<sup>81</sup> Timothy L. Alborn, *Conceiving Companies: Joint-Stock Politics in Victorian England* (London and New York: Routledge, 1998), 21.

<sup>82</sup> Leonardo Davoudi, Christopher McKenna, and Rowena Olegario, “The Historical Role of the Corporation in Society,” *Journal of the British Academy* 6:1 (2018), 34.

pursue incorporation without the permission of elected officials. The corporation thus stopped being a public institution.

This depoliticization in favour of wealthy property was precisely what happened with regards to municipalities, incidentally a very specific type of corporation much closer to the old medieval form of the institution. As Robin Einhorn argues, municipal politics in Chicago was privatized between 1845 and 1865, coincidentally the precise timeframe where general incorporation statutes were becoming the norm. For Einhorn, “[l]ocal control and the avoidance of redistribution served yet another goal [...] they depoliticized municipal government [and] reduced political decision making to an administrative process driven directly by ‘interested’ property owners.” Like municipal governance, incorporation by registration was “politics as administration [...]”<sup>83</sup>

According to Harris, incorporation by registration moved the act of incorporation, and thus the corporation itself, “from the public to the private pole of the spectrum.”<sup>84</sup> In the nineteenth century most of society was being ham-fistedly declared either public or private, often along gendered lines. This was not a metaphor but was made concrete by law. The distinction between a male public sphere and a female domestic sphere, for example, was legally codified through gendered laws regarding voting and property ownership. The lives of bourgeois businessmen were also sphered, their public lives – as electors, officers, or aldermen – defined by their relationship to the state, and their private lives defined by their business relationships rooted in the individual pursuit of profit.

The private sphere, where the independent businessman bought and sold, was a liberal space. It was dominated by the individual property owner, legally equal with his peers. The eviction of

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<sup>83</sup> Einhorn, *Property Rules*, 15-19.

<sup>84</sup> Harris, *Industrializing English Law*, 284, Risk, “Business Corporations,” 306.



the corporation from the state-dominated public sphere through the use of incorporation by registration was often seen in liberal terms. As Jonathan Levy put it, “[w]hy should the privileges of incorporation not be a democratic right, enjoyed equally by all?”<sup>85</sup> The relationship between the corporation and a liberal order that centered the individual male citizen, his equality before the law, and the right of property, is much more complex. Jean-Marie Fecteau argues that the corporation exposed many of the contradictions of this liberal order. For Harris, “the concept of registration offered a middle ground between public sphere (constitutional) and private sphere (contractual) formation of corporations.”<sup>86</sup> But, again, as Jean-Marie Fecteau has shown, while contractual, corporations were inherently “little republics” with their own constitutions.<sup>87</sup> But what if, when the corporation was evicted from the public, it was not awkwardly hammered into the private like a square peg in a round hole? Wrestling with this problem, David Ciepley has proposed that corporations are neither private nor public but existed within a separate corporate space where they overrode standard liberal rules of “property, contract, and liability.”<sup>88</sup>

Rather than being a private institution, shaped by liberal values of individualism and equality, the corporation was conservative, emphasizing community and hierarchy. Corporations were not democracies. Ciepley notes that there is a persistent myth in Anglo-American discourse about stockholders being the owners of a joint-stock company. But stockholders do not possess any of the rights that are usually considered to be central to property ownership, namely “rights to exclude, use, lend out, sell, or profit from the use or sale of an asset [...]” The corporation retained those rights, rights exercised “on its behalf by the board and its hirelings.”<sup>89</sup> Although

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<sup>85</sup> Levy, *Ages of American Capitalism*, 124.

<sup>86</sup> Harris, *Industrializing English Law*, 275.

<sup>87</sup> See Fecteau, “Les petites républiques.”

<sup>88</sup> Ciepley, “Political Theory of the Corporation,” 143.

<sup>89</sup> David Ciepley, “The Anglo-American Misconception of Stockholders as ‘Owners’ and ‘Members’: its Origins and Consequences,” *Journal of Institutional Economics* (16), 2020, 624-25.

the board of directors was elected, it was hardly done democratically. In many cases individuals did not vote, shares did. And even in companies where voting was done by individual rather than number of shares, the larger shareholders usually got their way. This was another major shift that accompanied the advent of incorporation by registration. Many individual acts of incorporation limited the number of shares that a businessman could own. However, none of the general acts did.<sup>90</sup> This meant that control of the corporation was often held by a few individuals, who would usually serve as directors or at the very least had the power to appoint the directors they chose. Furthermore, there were often limits to what a businessman could do with his shares – notably, share transfers typically had to be approved by the directors. The good of the corporation was prioritized over that of the individual, while the authority of the board of directors took precedence over the equality of the businessmen who invested in it.

The proposition that the corporation, one of the most important institutions of the late nineteenth century, was fundamentally conservative certainly does not invalidate the idea of the liberal order framework, but it does complicate the concept. According to McKay, the project was “premised on restrictive readings of the ideals of liberty, equality, and property – under the aegis of the British Empire. In Canada this goal meant resistance to U.S.-style radical republicanism, to previously established Tory notions of hierarchy and community, and to ‘democracy,’ particularly as it had emerged in revolutionary Europe.”<sup>91</sup> Perhaps the *corporation’s* goal meant resistance to U.S.-style radical republicanism, to ‘democracy,’ as it had emerged in revolutionary Europe, and to liberal readings of individual liberty and equality.

Nonetheless, if there was a place where both liberals and conservatives agreed it was the belief that property rights needed to be respected, but even here the corporation exposed a major

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<sup>90</sup> Harris, *Industrializing English Law*, 289.

<sup>91</sup> McKay, *Reasoning Otherwise*, 4-5.

cleavage, and underlines the conservative nature of the corporation. For liberals, if property was not being used productively it could be seized from its owner, as long as the proper norms had been respected. For conservatives, property was sacred, and could never be expropriated. This was at the core of conservative support for slavery. After all, if slaves could be set free without compensation, what property would be safe? The corporation, equipped with limited liability and the ability to be created through registration and thus without being subjected to any democratic scrutiny, was well insulated from threats to its property. Antebellum slaveholders in the United States sought to “repudiate majoritarian control over property rights, to elevate the rights of property above legislative tinkering.”<sup>92</sup> These same arguments against democratic, majoritarian control would be ably deployed by factory owners after the Civil War and would “shelter the wealth of industrial elites into the twentieth century.”<sup>93</sup>

The relationship between corporate and private nevertheless remained complex. The corporation protected wealth, but it did more than protect its own wealth. Through limited liability, the corporation provided a means of capital accumulation that walled off the wealth of those individuals who made up its shareholders. There were firebreaks between shareholder capital and corporate capital, reducing the risk of a democratic fire torching an individual's riches. In the end, the corporation served to protect private wealth both within and without its borders. The corporation was an entity that served the interests of private citizens, even though it operated outside of private spaces. It was an expendable tool which could be sacrificed at any time to shield its shareholders from claims against them. In this way it fulfilled a conservative vision of the commonweal: a defence against risk and the chaos of the liberal free market.

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<sup>92</sup> James L. Huston, *Calculating the Value of the Union* (Chapel Hill and London: University of North Carolina Press, 2003), 200.

<sup>93</sup> Einhorn, *American Taxation, American Slavery*, 210.

The corporation was one of the crucial spaces where class happened for mid-Victorian bourgeois Montrealers. It was not the only space; businessmen created socio-cultural connections in private parlours over cigars and champagne as well as within public institutions like the Municipal Council and the powerful Board of Trade. Within the corporation, businessmen learned to understand themselves in class terms. Through their desire to shield their wealth from a dangerously democratic society, bourgeois Montrealers transformed an institution that had once existed to provide a public purpose into one that served their own interests. They created a web of stockownership and directorships that pulled them together, such that by the last third of the nineteenth century, they were able to better translate their economic and social power into political power. More and more, being bourgeois was experienced through the creature this class had created: the joint-stock corporation formed by registration.

### *Conclusion: A Corporation Nation*

When Robert Baldwin expressed his trepidation about Canada becoming a corporation nation, he specifically underlined his fear that if there were no limits “[e]very half dozen hardware merchants or dry goods merchants, would apply to be exempted from their liability.”<sup>94</sup> Less than two decades after his speech, the hardware merchant Thomas Morland did exactly that. There had been enormous transformations in the intervening years. British North America had gone from being torn about the very existence of corporations in its midst to refashioning its legal structure to depoliticize incorporation and embrace limited liability. The Province of Canada had thus removed the corporation from the threat of an increasingly democratic state and created a safe space for capital.

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<sup>94</sup> Debates (1849), 1349.

Morland took advantage of a major transformation in the relationship between the corporation and the state. He benefited from a depoliticized incorporation process that allowed him to avoid having his business scrutinized by the elected legislature, and instead be rubber-stamped by the Conservative cabinet, made up from a party indissociably tied to bourgeois Montrealers like himself. His company had no societal purpose beyond protecting the wealth of the businessmen that joined him in his venture. The corporation, where Morland's company would reside, was a conservative space where capitalists traded their liberal values of individualism and equality in exchange for limiting uncertainty and risk. The corporation was a space where an administrative hierarchy reigned, and where individual interests were secondary to the common pursuit of and defence of wealth. Within the social and legal edifice of The Montreal Rolling Mills Co., dozens, later hundreds, of individuals were brought together. In the next chapter, I turn to the company's founding, and the initial group of individuals who would be tied together by Morland, and how it and other corporations radically transformed the Dominion.

## CHAPTER II

### *“Others of More Enterprise”*

#### Square Mile Capital and the Creation of Montreal Rolling Mills

The formation of Montreal Rolling Mills in the spring of 1868 sent tremors through the city's hardware trade. Contemporaries immediately understood that the appearance of the new company was a significant event, and Thomas Morland, the chief architect behind the firm's creation, almost immediately found himself at the centre of a controversy. As was often the case, the disagreement centered on the tariff. The minister of finance had just announced modifications to the schedule – henceforth some semi-finished metal commodities were to be subject to duties. William Darling, in the name of a “Committee appointed by the Hardware Trade,” sent a telegram to Thomas Workman, member of parliament for Montreal Centre: “Are we to understand that all the articles used in the factories of Messrs. Morland, Rose & Watson are to be exempt from duty – namely, puddled bars, white and red lead, steel in bars, and sheets cut into shapes, and pig lead, - while bar iron, boiler plate and nail plate are subject to duty?” Workman simply replied “yes.”<sup>95</sup>

The disagreement over the new tariff schedule reflected a perceived “disturbance to the existing relations and arrangements of manufacturers and merchants.”<sup>96</sup> And the firm that Thomas Morland built was nothing if not a major disturbance. Unhappy with the prices he was receiving from his suppliers, Morland formed a company that consolidated both the manufacturing and wholesaling aspects of his enterprise. The form that the enterprise would take was an unusual one in the world of Montreal's hardware trade. Wholesalers like Darling and

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<sup>95</sup> *The Gazette*, 4 April 1868, p. 1.

<sup>96</sup> *Ibid.*

manufacturers like Randolph Hersey were almost all in business either on their own or, more commonly, in private partnerships. But, understanding the opportunities presented by the adoption of new incorporation laws in the 1860s, Morland chose to form a joint-stock corporation.

This chapter analyzes the formation of Montreal Rolling Mills. It came as the government dealt with a major economic downturn by inaugurating protective tariffs on many of the commodities Morland intended to produce, and from its inception Montreal Rolling Mills would find itself embroiled in a long-term struggle between protectionists and free traders. But protection was only one explanation for the trepidation of Morland's competitors. The new company would be an impressive example of reputational capitalism, as its initial stockholders represented some of the most powerful men in the new Dominion. Only a few years after the consolidation of general incorporation statutes, Montreal Rolling Mills would demonstrate to the city's hardware trade the immense opportunities of the modern corporation.

### *The Montreal Hardware Trade*

Hardware was an unglamorous but very important industry in a society whose urban and rural population was rapidly growing and where construction still depended on hand tools, lumber, and nails. Montreal was a major centre of the North American hardware trade, its location within the Saint Lawrence transportation system making it an ideal location for both importing finished hardware but also transforming semi-finished commodities into axes, saws, and nails for markets both near and far. In 1866, there were 34 hardware firms in Montreal, varying enormously in scale. At the top were Crathern & Caverhill and Frothingham & Workman, which both had assets upwards of \$250,000. Of these, only the latter could also boast of having "unlimited"

credit.<sup>97</sup> John Frothingham was one of many New Englanders in the Montreal hardware trade, forming a partnership with William Workman in 1836, which became the largest iron and hardware wholesalers in British North America. Both became very important members of the city's bourgeoisie and were important investors in the Champlain and Saint Lawrence Railway, the colony's first railway, as well as the City Bank, the first major competitor to the Bank of Montreal. In 1868, Workman was elected mayor.<sup>98</sup> Below Crathern & Caverhill and Frothingham & Workman were five major hardware firms with capital over \$100,000, including Morland, Watson & Co. and William Darling & Co. These were the exception, and the vast majority of hardware firms were much more modest, with almost half operating with less than \$25,000 in assets.<sup>99</sup>

There was initially little overlap between production and commerce, with most manufacturers selling directly to wholesalers who then sold finished goods to customers. Hardware manufacturing was one of the first major industries to develop in the region, when another New Englander, Joseph Bigelow, began to manufacture nails using a horse-powered cutting machine in the early nineteenth century. The need for waterpower to drive nailing machines meant that early hardware manufacturers needed to set up shop outside the city, with Thomas Peck and Theodore Bigelow building their works at Sault-au-Récollet, and Mansfield Holland doing so at the Lower Lachine Rapids. It was the opening of the enlarged Lachine Canal and the availability of land and waterpower on its sides that brought hardware manufacturing closer to the city. Peck was the first, opening a nail mill on Canal Basin No. 2 in 1847, and by 1856 there were four

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<sup>97</sup> *The Mercantile Agency Reference Book for the British Provinces* vol. III (Montreal and Toronto: Dun, Wiman & Co., 1866).

<sup>98</sup> Gerald Tulchinsky, "Workman, William," *DCB* Vol. 9 (1972) and "Frothingham, John," *DCB* Vol. 10 (1976). See also *River Barons*, 12-13.

<sup>99</sup> *The Mercantile Agency Reference Book*.



factories producing nails along the Lachine Canal, and several more manufacturing axes and saws.<sup>100</sup>

By the early 1850s, the divide between production and commerce narrowed slightly, as some of the more powerful hardware wholesalers purchased manufacturers. Frothingham & Workman were an early example, owning parts of their supply chain by 1853.<sup>101</sup> Thomas Morland went a similar route when in 1860 he discovered his main saw supplier was in difficulty. S.S. Campbell had been bought out, leaving his partners Edward Jones and George Hinton on their own, and unfortunately, they were soon approaching failure. After a lawsuit, the hardware dealer James Hutton purchased the business, but ran into a problem when the owner of the building, Ira Gould, made a claim on the machinery. Hutton approached Morland and convinced him to cover Gould's claims and then purchase the machinery from him. Morland came up with the money, buying out both Gould and Hutton, and became the direct owner of his main saw supplier, hiring the former owners, Jones and Hinton, as salaried managers.<sup>102</sup> Other manufacturers remained technically independent but often depended on wholesalers to provide nail plate in exchange for finished nails, "a putting-out system on an industrial scale in which nailmakers had little, if any, say in what happened."<sup>103</sup>

A major change took place in 1859 when, with the financial backing of the retired paper maker Thomas F. Miller, Mansfield Holland completed the first rolling mill in Canada. This mill was notable for being steam powered, marking a shift away from depending exclusively on the canal for power. Miller however was disappointed by the enterprise and forced Holland out a

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<sup>100</sup> Larry McNally, "Technical Advance and Stagnation: The Case of Nail Production in Nineteenth-Century Montreal," *Material History Review* 26 (Fall 1992), 38-42.

<sup>101</sup> Gerald Tulchinsky, "Workman, William," *DCB* Vol. 9 (1972) and "Frothingham, John," *DCB* Vol. 10 (1976).

<sup>102</sup> *Dun*, 196.

<sup>103</sup> Larry McNally, "Technical Advance and Stagnation," 41.

year later. In 1863, Holland approached Thomas Morland offering to build a new steam powered rolling mill that, in exchange for advancing the funds, would provide Morland, Watson & Co. with finished nails. Morland chose instead to buy out Holland's entire operation, becoming the second rolling mill operator in the city's hardware trade. In 1867, a new partnership between John Pillow, Theodore Bigelow's son-in-law, and Randolph Hersey, Mansfield Holland's nephew, took over Holland's first rolling mill. By the 1870s, there were therefore three rolling mills in operation, owned by Pillow, Hersey & Co., Montreal Rolling Mills, and Peck, Benny & Co. This last example was unique in that it remained water powered, largely to keep costs down. According to Larry McNally, the construction of the rolling mills structured the city's hardware industry until the end of the century, with the three rolling mill operators occupying "the upper end of the spectrum," and the numerous "small, dependent nail producers" at the bottom.<sup>104</sup>

Like the rest of the Montreal bourgeoisie, the hardware trade had many internal divisions: between large and small merchants, wholesalers that owned manufacturers and those that did not, manufacturers that also sold directly to consumers and manufacturers that only sold to wholesalers. The structuring of the industry in the 1860s happened at the same time as a major economic downturn reconfigured the political landscape and brought to the fore simmering tensions over tariff protection. The controversy over the formation of Montreal Rolling Mills in 1868 can only be understood as the culmination of these tensions and their interaction with internal divisions within the hardware trade.

### *Crash Politics I: The Panic of 1857*

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<sup>104</sup> McNally, "Technical Advance and Stagnation," 38-42.

The stratification of Montreal's hardware trade in the late 1850s and early 1860s was partially a result of the transition from an economy centered on free trade and towards an era of general tariff protection for manufactured commodities. This shift was a consequence of a major economic crisis that hit the industrialized world in 1857, shaking it to its core. A decade of manic railway speculation left hundreds of corporations and the governments that had chartered them swimming in debt, while Russia's re-entry into the global grain market following the Crimean War caused a decline in the high wheat prices that these railroads needed to be profitable, or at the very least avoid bankruptcy.<sup>105</sup> In this teetering economy, drunk off the excesses of the Great Boom of the 1850s, came a series of shocks that brought everything crashing down. The most important of these was the failure of the Ohio Life Insurance and Trust Company. It had lent immense sums to new railroad companies in Michigan, Ohio, and Illinois, and tried to call in its loans in the summer of 1857, but quickly learned that the railroads did not have the liquidity to pay. In August, more than a dozen railroads had suspended payment on their loans, and with seemingly solid investments going bust, investors rushed to offload their bonds.<sup>106</sup> The Panic of 1857 had begun.

The economic crisis that followed the Panic exacerbated already existing tensions over protection. Although they always used some variation of the term "protection," Canadian protectionists were more accurately neomercantilists. Eric Helleiner defines neomercantilism as "a belief in the need for strategic trade protectionism and other forms of government economic activism to promote state wealth and power in the post-Smithian age."<sup>107</sup> This definition is

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<sup>105</sup> James L. Huston, *The Panic of 1857 and the Coming of the Civil War* (Baton Rouge: Louisiana State University Press, 1987), 5-6.

<sup>106</sup> Scott Reynolds Nelson, *A Nation of Deadbeats: An Uncommon History of America's Financial Disasters* (New York: Vintage Books, 2012), 164-165.

<sup>107</sup> Eric Helleiner, *The Neomercantilists: A Global Intellectual History* (Ithaca and London: Cornell University Press, 2021), 4.

important because it emphasizes that their goals were wealth and power and they were therefore not in opposition to an integrated world or, more commonly for Montreal protectionists, continental economy.

British North America was tightly bound to the Empire by the Navigation Acts, which had the effect of heavily subsidizing colonial commodities sold on the British market. Of these commodities, by far the most important was timber, whose extraction directly led to the development of a large scale shipbuilding industry in Québec City and New Brunswick.<sup>108</sup> However, the final victory of Richard Cobden's Anti-Corn Law League in 1846 radically shifted the trajectory of Canadian economic and political development. The colony that had built its economy to function within a protectionist imperial system was suddenly and brutally cast adrift in merciless free trade waters. The battlelines were immediately drawn between those who resigned themselves to having to live in a free trade world, and those who sought the restoration of protectionism with or without the Empire. Montreal protectionists would however quickly disgrace themselves when they sought peaceful annexation by the United States in 1849, a reminder that they saw protection as compatible with continentalization. With the start of the Great Boom of the 1850s the free traders appeared to be in the ascendancy, even succeeding where the annexationists had failed by gaining access to the huge American market with the Reciprocity Treaty of 1854.<sup>109</sup>

In *The "Conspiracy" of Free Trade*, Marc-William Palen argues that the United States and Great Britain were divided in this period between free trading followers of Cobden ("Cobdenite

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<sup>108</sup> For the shipbuilding industry, see Richard Rice, *Shipbuilding in British America, 1787-1890 : An Introductory Study* (PhD. Thesis, University of Liverpool, 1977) and Eileen Reid Marcil, *On chantait « Charley-Man. » La construction de grands voiliers à Québec de 1763 à 1893* (Sainte-Foy: Les Editions GID, 2000).

<sup>109</sup> Tulchinsky, *The River Barons*, 236; Ben Forster, *A Conjunction of Interests: A Conjunction of Interests: Business, Politics, and Tariffs 1825-1879* (Toronto, 1986), 30-31.

cosmopolitans”) and protectionist disciples of the German-American economist Friedrich List (“Listian nationalists”). Canada, caught in the middle of the two great Anglo-Protestant powers, would inevitably be another front of the Cobdenite-Listian struggle. According to Palen, by the time of Confederation, “List’s progressive protectionist ideas were also finding a welcome economic nationalist audience” in Canada.<sup>110</sup> However, as Helleiner points out, “the Canadian experience was distinctive because of the relatively limited influence of Listian thought [...]” Rather, he identifies two strands of Canadian protectionist thought, stemming largely from the conservatives John Rae and Isaac Buchanan.<sup>111</sup>

Rae was educated in Scotland before immigrating to Upper Canada in 1822 to work as a schoolteacher and doctor.<sup>112</sup> Although he may have begun developing his theories in Scotland, his work was written in British North America and supported by examples from the Laurentian Lowlands and the “backwoods” of Upper Canada. For protectionists, his most important contribution was providing an economic rationale for promoting endogenous growth, largely through the protection of infant industries. Rae criticized Adam Smith for assuming that “what is true concerning an individual, is true also, concerning a community, and maintaining consequently, that every impost is so much absolute loss to the society, and every diminution of it, so much gain.”<sup>113</sup> For Rae, high profits and interest were not an indication of how much capital a country had and could just as easily reflect a poor country as a wealthy one. Therefore, even if

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<sup>110</sup> Marc-William Palen, *The “Conspiracy” of Free Trade: The Anglo-American Struggle Over Empire and Economic Globalisation, 1846-1896* (Cambridge: University Press, 2016), 158-159.

<sup>111</sup> Eric Helleiner, “Conservative Economic Nationalism and the National Policy: Rae, Buchanan and Early Canadian Protectionist Thought,” *Canadian Journal of Political Science* (2008), 2. Rae and Buchanan’s conservatism sets them quite apart from List, who “praised how state-led industrialization would grow hand in hand with expanding political liberty.” (Helleiner, *The Neomercantilists*, 18).

<sup>112</sup> R. Warren James, “Rae, John,” *DBC* Vol. 10 (1972).

<sup>113</sup> John Rae, *Statement of Some New Principles on the Subject of Political Economy, Exposing the Fallacies of the System of Free Trade, and Some Other Doctrines Maintained in the “Wealth of Nations”* (Boston, 1834), 384. Quoted in Robin Neill, *A History of Canadian Economic Thought* (London: Routledge, 1991), 68.

tariffs affected prices, as long as they increased the accumulation of capital, for example by promoting investment in manufacturing, it would create societal wealth. Although his work preceded List's by several years, Rae only became well known in the late 1840s, when his ideas were praised by John Stuart Mill. When John A. Macdonald upheld his protectionist National Policy in the late 1870s, he quoted Rae and Mill, not List.<sup>114</sup>

Buchanan, another Scottish immigrant, is better known as a relentless propagandist for protectionism than for his contribution to its ideological foundations. An important Upper Canadian merchant and prominent member of the Liberal-Conservative (later Conservative) Party, in 1858 he helped found the Association for the Promotion of Canadian Industry, a highly influential protectionist group.<sup>115</sup> As Helleiner argues, Buchanan's positions were sufficiently different and influential to constitute a "distinct strand of Canadian economic nationalist thought [...]" Buchanan believed that protection would foster "organic unity" by growing manufacturing and thus providing domestic markets for Canadian agriculture, which would raise farmers' incomes and provide markets for manufactured goods, while also providing employment for industrial workers. Notably, unlike Rae and List, he also advocated for protection to be permanent, rather than being simply a temporary measure to build up the economy with the objective of turning to free trade once a level playing field had been achieved.<sup>116</sup>

By the time the Panic of 1857 hit, British North America had developed its own strand of protectionist thought. Canada was no more isolated then than now from convulsions in its southern neighbour, and the economic crisis that followed the panic savaged provincial finances. The government found itself forced to adopt new tariffs to raise desperately needed revenue,

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<sup>114</sup> For a detailed synthesis of Rae's ideas, see Neill, *A History of Canadian Economic Thought*, 57-71.

<sup>115</sup> Neill, *Canadian Economic Thought*, 78. For a broader study see Douglas McCalla, *The Upper Canada Trade 1834-1872: A Study of the Buchanans' Business* (Toronto: University Press, 1979).

<sup>116</sup> Helleiner, "Canadian Economic Nationalism," 8-10.

mainly to service the immense debts it had accumulated in its own fit of railway over-building that it could not afford.<sup>117</sup> As the depression deepened in the winter of 1857-58, protectionists like Buchanan mobilized, pressuring the Legislative Assembly to go beyond raising money and encourage Canadian industry. In Montreal, the Tariff Reform Association was formed in 1858, which sent delegates to a major meeting in Toronto that drew up recommendations for the government, some of which influenced the new tariff schedules put into place that year. The Cayley-Galt (1858) and Galt (1859) tariffs, named after the provincial inspector generals (ministers of finance) William Cayley and Alexander Tilloch Galt, were ostensibly designed as revenue tariffs, with any protection “incidental.” Historians have long debated whether the tariffs were incidental or effective, that is to say designed to be protective. In a now classic study D. F. Barnett persuasively suggests that Galt had a very clear understanding of effective protection.<sup>118</sup> In contrast, Michael Piva argues that “Ministers of Finance design policies to solve problems: Galt faced a fiscal crisis, not a trade crisis.” However, he does concede that “what made Galt unique was his consideration of both the trade and revenue implications of his tariff proposals.”<sup>119</sup> In a more recent study, Ben Forster also takes a nuanced position, as “[r]evenue was [Galt's] chief concern in 1859; protection, in his mind, was an important, though secondary, and most particularly a temporary, consideration.” For Forster, “Galt was a committed opportunist, and quite possibly a free trader.”<sup>120</sup>

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<sup>117</sup> See A. A. Den Otter, *The Philosophy of Railways: The Transcontinental Railway Idea in British North America* (Toronto: University Press, 1997), 97-102.

<sup>118</sup> D. F. Barnett, “The Galt Tariff: Incidental or Effective Protection?” *The Canadian Journal of Economics / Revue canadienne d'Économie* Vol. 9, No. 3 (August 1976), 391.

<sup>119</sup> Michael Piva, *The Borrowing Process: Public Finance in the Province of Canada, 1840-1867* (Ottawa: University Press, 1992), 151.

<sup>120</sup> Ben Forster, “Common Knowledge: Theory, Concept, and the Prosaic in Making the Tariff of 1859,” in eds. E.A. Heaman et al., *Essays in Honour of Michael Bliss: Figuring the Social* (Toronto: University Press, 2008), 137-138.

Whether or not Galt saw protection under the 1858-59 tariffs to be incidental and secondary, much of Montreal's business community quickly came to view it as a matter of life and death. It is remarkable that in an era so dominated by the ideology of free trade, how clearly these businessmen articulated their support for protection. Notably, in 1866 when Galt reduced the general tariff rate from 20 to 15 per cent, Montreal businessmen organized again, forming the Tariff Reform and Industrial Association.<sup>121</sup> Amongst such important individuals as the Mayor Henry Starnes, what would be his successor William Workman, J. B. Rolland, A. W. Ogilvie, and John Redpath, was Thomas Morland. Starnes argued that “the tariff of 1859, which gave incidental protection, was all they wanted. It was remarkable what under that tariff Montreal and Canada had become.” Workman added that “the Customs Tariff adopted in 1858, at a time of general depression, imparted fresh vigor to every branch of trade and industry [...]” The association demanded that the government make the 1859 protective tariff permanent to reassure capitalists, because “nothing was more cowardly than capital,” while 76 businessmen signed on as a provisional committee to draft a constitution.<sup>122</sup>

The shift from an economic system centered on free trade to one where protection was accepted by large parts of the bourgeoisie as essential, whether it was incidental or not, is a clear example of what Scott Reynolds Nelson termed “crash politics.”<sup>123</sup> The process of trying to solve the financial problems laid bare by the Panic of 1857 eventually contributed to splitting up of the Province of Canada and the reorganization of much of British North America into a new federal union. Beneath it all was a desire to reassure nervous British investors, as Canada's economic fortunes both before and after Confederation were dependent on the continued import of British

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<sup>121</sup> Forster, “Common Knowledge,” 135-136; *The Gazette*, 27 October 1866, p. 2.

<sup>122</sup> *True Witness*, 27 October 1866, p. 2; *The Gazette*, 27 October 1866, p. 2.

<sup>123</sup> Scott Nelson, *A Nation of Deadbeats: An Uncommon History of America's Financial Disasters* (New York: Vintage Books, 2012), 20.



capital.<sup>124</sup> Although the economic crisis that followed the Panic of 1857 was short lived, the economy having largely recovered by 1860, its legacy of opening the door to protection was much more consequential. When in 1866 the United States abrogated the Reciprocity Treaty, partially in retaliation for Canadian tariffs and thus ending North America's first free trade experiment, the battle lines were drawn between protectionists and free traders desperate to get reciprocity back. This conflict would divide bourgeois Montrealers for the next three decades. It is within this context that Thomas Morland built Montreal Rolling Mills.

### *Reputational Capitalism I: Recruiting the Elite*

Mansfield Holland's rolling mill was valued at \$75,000, the exact amount Morland, Watson, and Rose invested in the new corporation that would acquire it. Further, the credit reporting agency Dun, Wiman & Co. wrote that in 1866 that their company, Morland, Watson & Co., was worth more than \$100,000.<sup>125</sup> This suggests that Morland had the capital to buy Holland's firm without fifteen other investors, which of course was precisely what he had done with the Hinton and Jones saw factory in 1860. But the joint-stock corporation not only consolidated wealth – it consolidated the wealthy. An important part of the answer to why he went the direction he did lies with the specific people he recruited to invest in Montreal Rolling Mills.

Montreal Rolling Mills' list of initial shareholders reads like a veritable "who's who" of Canada's business elite. Among them was the great shipping magnate Hugh Allan, one of the wealthiest men in the British Empire, Charles John Brydges, the general manager of the Grand Trunk Railway, the largest company in the Dominion, and Edwin Henry King, the general

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<sup>124</sup> Smith, *British Businessmen and Canadian Confederation*, 4.

<sup>125</sup> The firm's "pecuniary worth" was listed as "1½" in *The Mercantile Agency Reference Book for the British Provinces* Vol. III (Montreal and Toronto: Dun, Wiman & Co., 1866), 255, corresponding to \$100,000 to \$250,000.

manager of the Bank of Montreal, the largest bank on the American continent. Also included was Peter Redpath, whose sugar refinery was one of the city's largest industrial establishments, William Markland Molson, who with his brothers represented one of Montreal's great business dynasties, Edward Hopkins, an agent for the venerable Hudson's Bay Company, Thomas Reynolds, the former administrator of the Ottawa and Prescott Railway, and the powerful merchants George Stephen and J. Gordon Mackenzie.<sup>126</sup>

Alongside these representatives of the *haute* bourgeoisie, Morland recruited people who could bring a certain expertise to the firm. Notably, shareholders included George Hinton, manager of Morland's saw factory since he purchased it in 1860, W. D. B. Janes, a coal merchant, John McDougall, a millwright and machinist, John Robertson, an engineer at Canada Lead Works, and John McDermott Campbell, a bookkeeper. Upon its official incorporation in May 1868, Robertson was hired as salaried manager of the lead works, and Campbell as manager of the rolling mills proper. Rounding out the initial shareholders were Thomas Morland, Charles Watson, and James Rose, who collectively owned 75 of the 152 shares of the company. Morland, Watson & Co. was listed as the owner of Montreal Rolling Mills in the city directory. The final shareholder was Mansfield Holland, whose business they purchased.<sup>127</sup>

There remains the important question of how Morland convinced people like Hugh Allan and Edwin King to invest in a nail factory. Unfortunately, as Morland's papers have not survived, there is no easy answer. The simplest and most likely explanation is that he succeeded in convincing investors that the company would be profitable, something no doubt aided by Morland, Watson & Co. putting up \$50,000 in trust as a guarantee that dividends would be paid

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<sup>126</sup> *Stelco*, "Montreal Rolling Mills Minute Books" series, volume 101, file 1, "Minute Book 1868-1889".

<sup>127</sup> *Ibid.* Occupational details were compiled from the municipal directory for 1867-68, with the exception of John Robertson who is not listed in that year, appearing instead in 1868-69.

for five years.<sup>128</sup> But the timing of Montreal Rolling Mills' creation, coming less than a year after Confederation, suggests a broader answer. The Dominion government was set to take over Rupert's Land from the Hudson's Bay Company in 1869, although the final transfer was in 1870. It is likely that the promise of massive western expansion and the needs of thousands of colonists for nails to build their wooden cottages, fences, and barns, was an extra argument in favour of Morland's project. Much like the Boston Brahmins, the investors in Montreal Rolling Mills likely saw expanding their business activities into the western frontier as a tantalizing opportunity for profit and power.<sup>129</sup>

It was the Square Mile that would provide Morland with his power base. Eleven of the eighteen businessmen that formed Montreal Rolling Mills lived in the in neighbourhood or immediately adjacent to it (see Figure 2.1). With the exception of Edwin King who lived in the Bank of Montreal building, and Edward Hopkins who remained in the old downtown core, those outside the Square Mile represented the engineers, millwrights, and smaller industrialists whom Morland brought into the enterprise. Although these men were important for the company's success, it was the concentration of Square Mile capital and the power it wielded that would give it a decisive edge over its competitors.

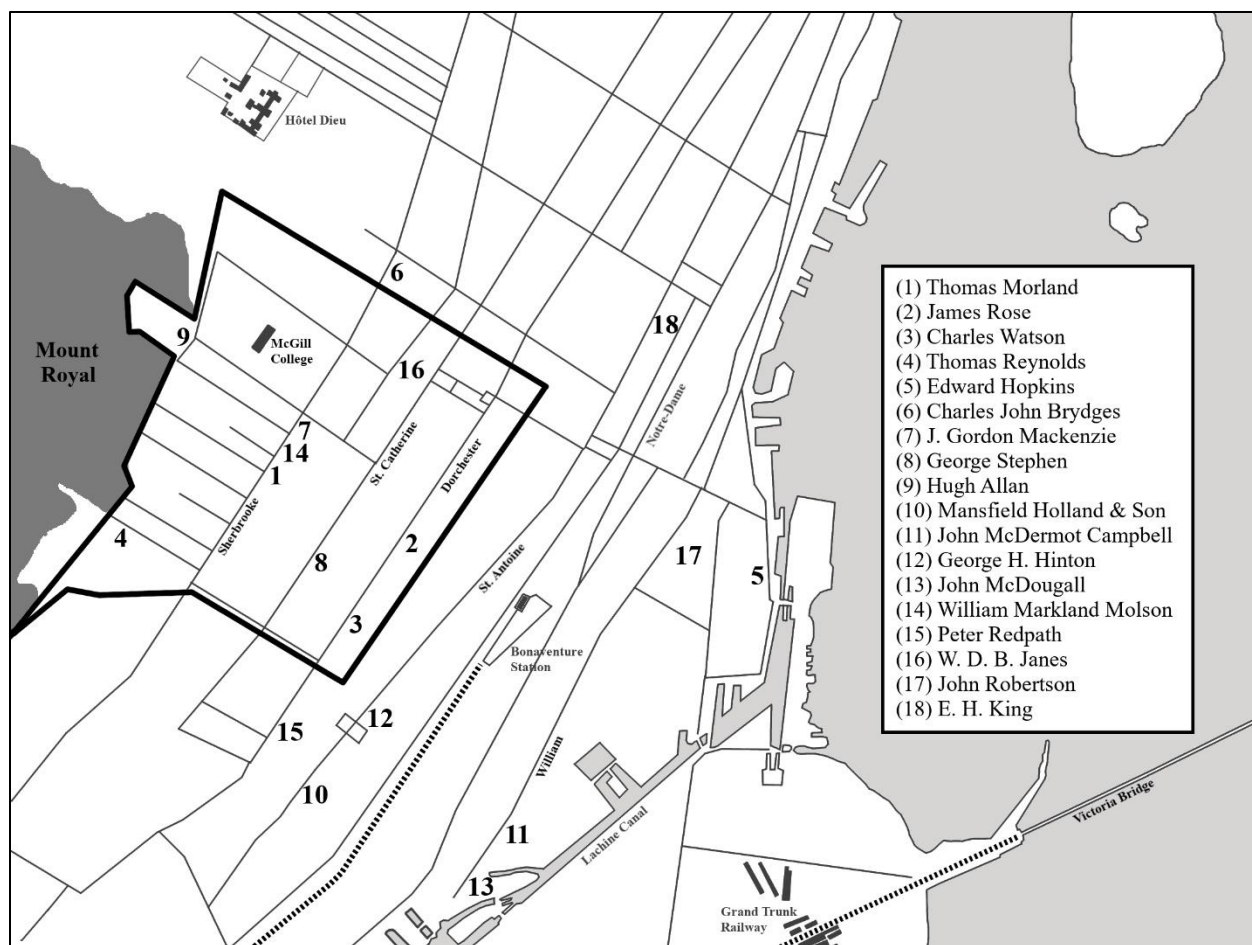
By 1867 Morland had moved into the prestigious Prince of Wales Terrace on Sherbrooke, a residence that "served to enhance the image of the row house from a standard comfortable middle-class dwelling to a veritable mansion distinguishable from most grand villas merely by the fact that it formed a united whole with its immediate neighbours."<sup>130</sup> (Figure 2.2) The power concentrated in this newly constructed residence cannot be overstated: amongst Morland's

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<sup>128</sup> "Guarantee of Interest," 14 April 1868. *Stelco*, Vol. 106, "Legal Documents."

<sup>129</sup> See Maggor, *Brahmin Capitalism*.

<sup>130</sup> Roderick Macleod, *Salubrious Settings and Fortunate Families: The Making of Montreal's Golden Square Mile, 1840-1895* (PhD Dissertation, McGill University, 1997), 135.



**Figure 2.1: Residences of initial shareholders of Montreal Rolling Mills, 1867-68.**

Note: Locations were found using Mackay's Montreal Directory for 1867-68, with the exception of John Robertson who does not appear in that issue, so the 1868-69 directory was used for him. The inner frame indicates the borders of the Golden Square Mile.

Source: *Contoured plan of Montreal and its environs, Quebec, triangulated in 1865 and surveyed in 1868-9 under the direction of Lieut. H. S. Sitwell, R. E. and under the superintendence of Lieut. Col. Wm. F. Drummond Jervis* (Southampton: Ordnance Survey Office, 1870).

neighbours were his new partners J. Gordon Mackenzie and William Monkland Molson, along with Molson's brother John, Hugh Allan's brother and partner in the Allan Line, Andrew, and Thomas Workman, member of parliament for Montreal Centre, part of the powerful hardware firm Frothingham and Workman, and brother of the newly elected mayor, William. Also residing in the Prince of Wales Terrace were reminders of the neighbourhood's links to the Empire: Colonel John Dyde, commandant of the active volunteer force, F. B. Archer, commissariat



*Figure 2.2: The Prince of Wales Terrace in 1860.*

Note: The Prince of Wales Terrace is on the north side of Sherbrooke Street. McTavish Street is to the right of the image, and the terrace ends at Peel Street on the left. From right to left the residents of the terrace were, in 1867-68, John Molson, Colonel C. E. Ford, F. B. Archer, Andrew Allan, J. Gordon Mackenzie and the three other Mackenzies that formed his company, William Molson, Thomas Workman, Colonel John Dyde, and finally Thomas Morland (*Lovell* 1867-68).

Source: Notman Collection, McCord Museum, MP-1974.82.

general and comptroller of army expenditure, and Colonel Charles Erskine Ford, commander of the Royal Engineers in Canada.<sup>131</sup> This single block of row houses between McTavish and Peel

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<sup>131</sup> *Lovell*, 1867-68.

NOTICE is hereby given that Hugh Allan, Edward M. Hopkins, Charles John Brydges, George Stephen, Thomas Reynolds, Gordon Mackenzie and Thomas Morland, all of Montreal, will apply to His Excellency the Lieutenant Governor of the Province of Quebec, in Council, after the expiration of one month from the publication of this notice, for a charter to incorporate a company under an Act of the Parliament of the late Province of Canada, intituled, "An Act to authorize the granting of Charters of Incorporation to Manufacturing, Mining and other Companies," to be called "The Montreal Rolling Mills Company," for the manufacture, purchase and sale of Iron and other metals, nails, spikes and other articles of hardware, at the city and in the parish of Montreal, Province of Quebec, where the operations of the company are to be carried on. The amount of the capital stock of the Company is to be \$200,000 in 200 shares of \$1000 each. The amount subscribed is \$150,000, and \$10,000 is to be paid in before the charter is granted.

Montreal, 31st January, 1868.

458-5

*Figure 2.3: Notice of application for a charter of incorporation for Montreal Rolling Mills.*

Source: *Canada Gazette*, 15 January 1868, 377.

on the north side of Sherbrooke was a microcosm of the enormous concentration of wealth and power of the Square Mile.

The organizational technology of the joint-stock corporation was what allowed Morland to take advantage of this concentration, as the application published in the *Canada Gazette* illustrates (Figure 2.3). The names listed were, in order, Allan, Hopkins, Brydges, Stephen, Reynolds, Mackenzie, and Morland. Besides Morland, none of these were major shareholders. Indeed, Charles Watson and James Rose, who were not listed, together had as many shares (30) as the six first names in the notice of incorporation combined. The reason Hugh Allan was listed first was not because he was an important shareholder, he was listed first because he was Hugh Allan. Montreal Rolling Mills served to pull the elite into Morland's social and economic orbit. Square Mile capitalists like Allan and Brydges provided Montreal Rolling Mills with power and prestige, something noted by contemporaries, Dun, Wiman & Co. reporting excitedly, for example, that "the company is composed of Brydges King Hopkins + others influential."<sup>132</sup>

<sup>132</sup> Dun, 94.

Montreal Rolling Mills was also a very conspicuous display of wealth. Publishing the notices of incorporation in major newspapers served the concrete purpose of informing the public, but it incidentally widely broadcasted the unity and power of Montreal's ascendant bourgeoisie. Morland advertised himself to everyone as allied with the most wealthy and influential men in the Dominion. As James Taylor notes, “show and display were necessary for the success of the joint-stock company because it was by these means that it won the trust and confidence of the public.”<sup>133</sup> Extravagant displays of wealth such as imposing corporate headquarters or in this case advertising that some of the most powerful men in the Dominion were directors – even when several did not actually wind up taking directorships – were ways of showing investors that the company was not a fly-by-night operation, but rather a permanent and stable enterprise, and that their money would be safe. Having Hugh Allan and Peter Redpath as shareholders was as good a credit rating as anyone could get.

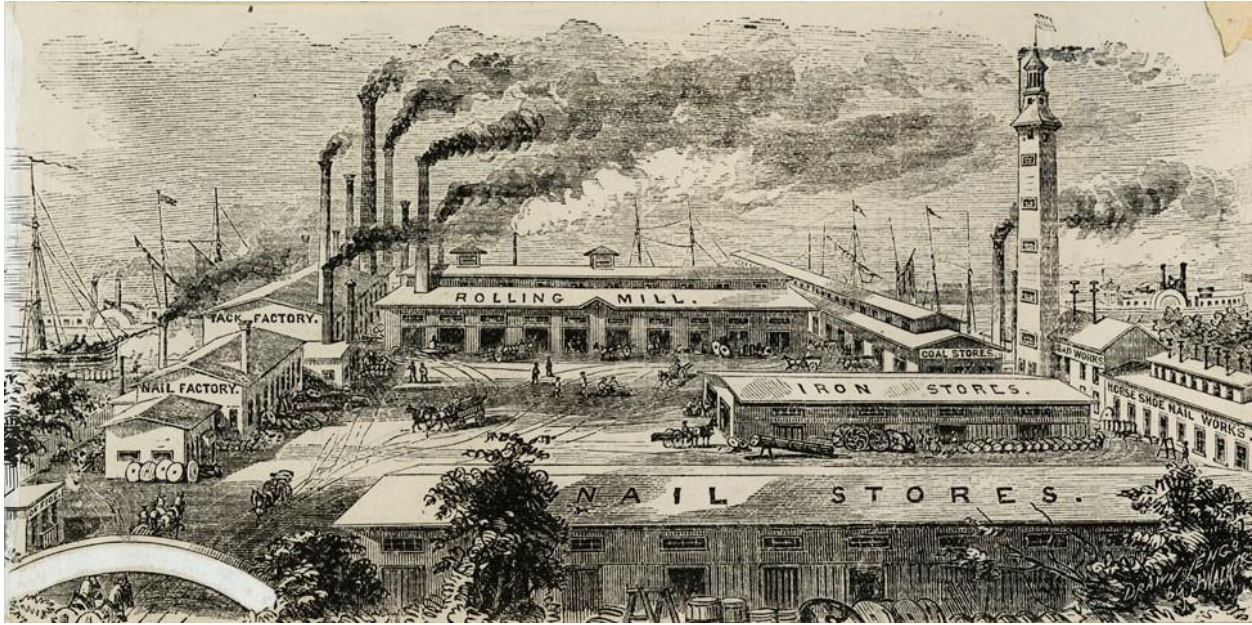
Some of the advantages of the team Morland put together could be more tangible. Letter books from the 1880s offer clues as to how the company's more informal networks operated. In both the 1860s and 80s the puddled iron bars that the rolling mill needed to produce nail plate came from England and were generally shipped from Liverpool on the Allan Line. After arriving in Montreal, the bar was rolled into plate, cut into nails, and then sold by Morland, Watson & Co. to customers both in the city or shipped on the Grand Trunk Railway to customers in Québec City, Toronto, Guelph, and Hamilton. Amongst the most intriguing letters is one from 1887 where Charles Watson, Morland's successor, apologized to Andrew Allan for importing bar on a non-Allan Line ship, saying that Allan would always have “preference.”<sup>134</sup>

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<sup>133</sup> James Taylor, *Creating Capitalism: Joint-Stock Enterprise in British Politics and Culture, 1800-1870* (London: The Royal Historical Society, 2006), 35.

<sup>134</sup> Letter from Charles Watson to Andrew Allan, 28 September 1887. *Stelco*, Vol. 28, File 1, “Montreal Rolling Mills Letter Book, May 79 – 1894.”





**Figure 2.4: Montreal Rolling Mills in 1868.**

Note: The view is from the north side of the works looking south, with the Lachine Canal at the back of the image. This engraving was widely reproduced in different publications, but the original was printed in a circular advertising the prospective company, a copy of which is pasted in the company's first minute book.

Source: *Stelco*, “Montreal Rolling Mills Minute Books” series, volume 101, file 1, “Minute Book 1868-1889”.

Although Morland consolidated his enterprise, this was still not quite what Alfred Chandler considered a “modern” corporation, defined as a multidivisional organization with salaried middle-managers.<sup>135</sup> The main components of Morland's business were separate companies, not units (see Figure 2.4). Morland, Watson & Co., a private partnership made of up Thomas Morland, Charles Watson, and James Rose, was a hardware wholesaler. As a firm it controlled Montreal Rolling Mills, which was a hardware manufacturer managed by an elected board of directors, and whose president was initially Thomas Morland. That company had two units, the rolling mill and nail and tack works, and the lead works. These had salaried managers, both of which, John McDermott Campbell and John Robertson respectively, were minor shareholders in

<sup>135</sup> Alfred Chandler, *The Visible Hand. The Managerial Revolution in American Business* (Cambridge, MA, 1977), 1-2.



the company. Morland, Watson & Co. also directly owned Montreal Saw Works, which manufactured saws and axes and which Morland purchased in 1860, and had its own manager, George Hinton, who was also a minor shareholder in Montreal Rolling Mills. This was thus not quite the rationalized and efficient Chandlerian corporation – indeed Montreal Rolling Mills would not start to transition into a more modern form until the late 1880s, when William McMaster became the company's general manager (see Chapter 5). However, the company in 1868 was a crucial steppingstone towards a more modern integrated corporation, fulfilling much of the same functions, combining sales and production, the latter units run by salaried managers. It was a large, consolidated firm built using the organization forms available to Morland at the time.

Joint-stock corporations like Montreal Rolling Mills brought together bourgeois Montrealers into an institution that gave them common interests. The capitalists who purchased shares in the company obviously had a personal stake in its success, and they deployed their political and social power in the company's service. It is this, more than anything else, that explains why Morland created it, and why its appearance caused such an immense controversy in the spring of 1868.

### *Thomas Morland Upsets the Hardware Trade*

When the minister of finance, John Rose, adjusted the tariff schedule in 1868, Morland and his new company were in a uniquely advantageous position. Montreal Rolling Mills could produce from raw materials most if not all the products that Morland sold, while most of his competitors needed to import semi-finished materials while selling finished commodities to wholesalers. Nail plate was the biggest issue. Producing nail plate required a rolling mill, of

which there were only three in Montreal at the time, including the one Montreal Rolling Mills had just purchased. The new schedule imposed a 5 per cent duty on imported nail plate, but placed imported iron bars on the free list, putting any manufacturer that did not have access to a rolling mill at a huge disadvantage, compounded by the fact that Montreal Rolling Mills did not need to sell to a wholesaler as Morland himself was the wholesaler. Added to this was the belief that Morland had exploited his political connections to convince Rose to create a tariff schedule that benefited Montreal Rolling Mills. This was why the ire of the hardware trade was concentrated on Thomas Morland – neither John Pillow nor Thomas Peck, owners of the other two rolling mills in Montreal, were ever mentioned by name. As William Darling, in his letter to *The Gazette*, put it,

M. Morland presented a petition and asked that – five articles [...] used in the factories of himself and colleagues, should be admitted free. [...] The [hardware] committee were quite aware of the efforts Mr. Rose made, when member for Montreal Centre, to benefit those gentlemen by legislation and Messrs. Morland, Rose, and Watson have now the pleasure of being able to say that they got everything they asked for in their petition.”<sup>136</sup>

In response to Darling's letter, an anonymous party calling himself “PROGRESS,” who claimed to not know much about the hardware business but was in fact suspiciously well informed, responded that “The Montreal Rolling Mills appears to be the *Bête noir* of [...] the signers of the telegram [which included Darling] [...] The personal bitterness of [...] the signers of the noted telegram, inclines me to think that it is not the 5 per cent on imported iron that galls them, but that others of more enterprise have successfully established important works, while this little clique is left out in the cold.”<sup>137</sup>

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<sup>136</sup> *The Gazette*, 2 May 1868, p. 1.

<sup>137</sup> *The Gazette*, 6 May 1868, p. 1.

Darling was hardly the only person frustrated by Rose's tariff. In Nova Scotia, the Conservatives faced ferocious opposition to the new schedule, something that buoyed anti-Confederate sentiment from a province that had in the lead up to 1867 been concerned about being forced into subservience by the former Province of Canada. This conflict was for the most part resolved because Macdonald convinced the Nova Scotian Joseph Howe to join his cabinet and thus gain access to the same clientelist networks that had left some members of the Montreal hardware trade "out in the cold." Macdonald and Rose wanted tariff policy decided by "backroom negotiations rather than formal amendment," and now invited into that backroom, Howe was able to have the tariff adjusted and federal transfers increased, while also getting an effective veto for Nova Scotia. This largely placated Rose's critics in the Maritimes.<sup>138</sup>

In Montreal, both supporters and opponents of Rose's adjustments to the tariff dug up petitions in support of their positions, both claiming to represent the majority of the hardware trade. The first, from 3 March, and signed by fifty-one businessmen and firms including Morland and Montreal's other two rolling mill operators, requested a small protective duty on nail plate. The second, from 4 April, signed by fifty-three businessmen and firms including William Darling, suggested that all hardware should either be on the free list or have the same duty. It is notable that the two petitions were very similar, neither questioning the logic of protection. In fact, the two positions were similar enough that fully twenty-five businessmen and firms signed both petitions.<sup>139</sup> Furthermore, the petitions were several weeks old by the time they were brought up. This once again suggests that the debate that took over the front page of *The Gazette* for the whole month of May 1868 was more about Montreal Rolling Mills' access to political and economic power than about a minor modification to the tariff schedule.

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<sup>138</sup> Heaman, *Tax, Order, and Good Government*, 77-80.

<sup>139</sup> *The Gazette*, 1 May 1868, p. 1.

In underlining the fact that Morland's partner James Rose was the minister of finance's brother, Darling was perhaps understating Montreal Rolling Mills' political clout. Political influence was always more than family ties. Darling would not have known that Morland's other partners Brydges, Allan, and Stephen had donated a significant amount to John Rose's election campaign only a few months before, Brydges commenting in a private letter that "I presume you will not be embarrassed by the possession of so much money!"<sup>140</sup> There is no way to be sure that John Rose was influenced by family relations, favours owed, or simply that as a prominent Montreal business lawyer who had firm ties with its economic elite he considered their interests when making policy.<sup>141</sup> It is significant that Morland was capable of taking advantage of any of these factors. And even in the event that Darling's accusations were wrong, and it was all a coincidence, Morland's company with its consolidation of manufacturing and wholesaling was uniquely capable of profiting from Rose's changes. There was thus good reason for the hardware trade to be concerned in the spring of 1868. Morland was now positioned to dominate.

### *Conclusion: Linkages*

Montreal Rolling Mills was a creature of the Square Mile. The immense concentration of wealth and power in that neighbourhood allowed the individuals who lived there to take advantage of new organizational forms in a way that most people could not. A bourgeois Montrealer like Thomas Morland had the opportunity to create a company that was cutting-edge, using newly relaxed regulations for joint-stock corporations as well as an early form of the multidivisional firm. Furthermore, it was Square Mile capitalists and their enterprises that

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<sup>140</sup> Letter from Charles Brydges to John Rose, n.d., McGill University Archives, MS 397/5 "Rose, Correspondence, 1867."

<sup>141</sup> David M. L. Farr, "Rose, Sir John," *Dictionary of Canadian Biography* Vol. 11 (Toronto, 1982).

provided the crucial link between the British Empire and Canada's rapidly growing national economy. As Canada's principal port, it was in Montreal that British goods made landfall. Some of these commodities were consumed locally, while others were transferred onto smaller ships to continue their journey westward or were transformed by Montreal's rapidly expanding industrial sector before being shipped to customers throughout the Dominion. By linking manufacturers of puddled bars in Britain with homebuilders in Canada, Montreal Rolling Mills underlines the transatlantic connections that were still central to the development of the Canadian economy in the nineteenth century.

**ACT II:**  
**THE MERCHANT**



***Charles Watson (1835-1891)***

Source: Notman Collection, McCord Museum, II-60933.1.

Charles Stanhope Watson was born in Cape Colony in 1835. His father, Harrison, worked as part of the London-based Thomson, Watson & Co., a major shipping and mercantile firm operating in South Africa.<sup>1</sup> The Watson family lived imperial lives with Harrison occupying prominent positions in both Cape Colony and the metropole, in South Africa as Chairman of the

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<sup>1</sup> Supplement to the Government Gazette, 18 November 1836.

Cape Town Railway and Dock Company, and in Britain as a director of the Merchant Banking Company of London.<sup>2</sup> The Merchant Banking Company, initially capitalized at 2,000,000 pounds, was specifically created in 1863 for purposes “to a considerable extent of the character of foreign and colonial banking, but embraces some features which involve the operations of the merchant rather than the banker.” It would “grant negotiable or other credits, by and upon their foreign agents, to importers of produce [manufactures] in this country, on the continent of Europe, and in America.”<sup>3</sup> It is therefore hardly surprising that his sons would be sent out into the Empire to begin their careers as gentlemanly capitalists.

Charles Watson arrived in Montreal in 1861, taking up residence at the luxurious Donegana’s Hotel. On 1 June, he officially entered into a partnership with Thomas Morland, and the firm was renamed Morland, Watson & Co.<sup>4</sup> He was considered in his credit reports to be “a hardworker and closely attentive to ho[use].” Harrison Watson had invested \$40,000 in the new partnership, and the relationship with his wealthy father was considered to be “an advantage to it.”<sup>5</sup> The family’s financial resources were well noted by contemporaries. Randolph Hersey described Charles Watson as a “young, bumptious Englishman (who had inherited his money) [...]” Hersey, who as partner in Pillow, Hersey & Co. would be Montreal Rolling Mills’ chief competitor and sometimes ally, also blamed Watson for Mansfield Holland’s ouster as a partner in Montreal Rolling Mills, as Watson “became somewhat jealous of its prosperity and took measures to oust M. Holland & Son from the business [...]”<sup>6</sup>

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<sup>2</sup> *Herapath’s Railway Magazine, Commercial Journal, and Scientific Review*, 1863, 491; *Morning Post* (London), 10 September 1869, 8.

<sup>3</sup> *Daily News* (London), 3 November 1863, 7.

<sup>4</sup> *Lovell*, 1861-62; *Montreal Herald*, 14 June 1861, 2.

<sup>5</sup> *Dun*, 93.

<sup>6</sup> *Stelco*, “Pillow-Hersey Manufacturing Company” series, volume 125, file 6, “Extract from Autobiography Randolph Hersey, Montreal. 1913”.





**Figure III.1: Ellen Watson holding Harrison, 1864.**

Source: Notman Collection, McCord Museum, I-13911.1.

Watson's international networks expanded in 1863, when he was made Vice-Consul in Montreal for the Kingdom of Portugal, and, in June of that year, he married Ellen Rebecca Underwood in Boston. Her father, William Underwood, had made his fortune in the food preservation industry, and was said to have "had almost the monopoly for many years" on the market for "Worcestershire and other English sauces and condiments."<sup>7</sup> Underwood was a major exporter of canned goods, his firm selling to markets in South America, Asia, and the West Indies.<sup>8</sup> Upon returning to Montreal, the couple moved into Thomas Morland's old residence of 16 Bellevue terrace on Dorchester, while Morland ascended up the mountain to the Prince of

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<sup>7</sup> *Boston Daily Advertiser*, 8 February 1864, 2.

<sup>8</sup> J. C. Graham, "The French Connection in the Early History of Canning," *Journal of the Royal Society of Medicine*, Vol. 74 (1981), 379.

Wales terrace on Sherbrooke. Class always had a topographical dimension for bourgeois Montrealers.<sup>9</sup>

On 16 June 1870, shortly after Morland's death, Watson was elected unanimously to succeed him as managing director of Montreal Rolling Mills. His candidature was proposed by Peter Redpath and seconded by William Molson, and he later ascended to the presidency in 1882.<sup>10</sup> During the 1870s and 1880s, he would continue to climb the ranks of bourgeois society. In 1873 he became Justice of the Peace for the district of Montreal and was twice made Visiting Governor of the Montreal General Hospital.<sup>11</sup> On 3 June 1889, he ascended to perhaps the highest position for a man available to his class, when he was elected to the Board of Directors of the Bank of Montreal, one of the most powerful financial institution in the Western Hemisphere.<sup>12</sup>

On 23 December 1889, dealing with health issues, Watson resigned from the presidency of Montreal Rolling Mills, with Andrew Allan elected to replace him.<sup>13</sup> He and Ellen moved to South California so he could recuperate, then went to England before travelling to New York, arriving back in North America on 6 November 1891. Only a few hours after arriving, his health took a turn for the worse, and he died on Sunday 8 November.<sup>14</sup> His body was repatriated, and he was buried at Mount Royal Cemetery. His son Harrison, who had long served as the secretary for Montreal Rolling Mills, would go on to continue the family's involvement with the Empire, and moved to London to serve as curator for the Canadian Section of the Imperial Institute.<sup>15</sup> The

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<sup>9</sup> Lovell, 1864-65.

<sup>10</sup> Entries for 16 June 1870 and 25 January 1882. *Stelco*, "Montreal Rolling Mills Minute Books" series, volume 101, file 1, "Minute Book 1868-1889."

<sup>11</sup> *Québec Official Gazette*, 25 October 1873, 1644; *Montreal Herald*, 16 October 1880, 4 and 24 May 1884, 8.

<sup>12</sup> *Quebec Morning Chronicle*, 6 June 1889, 3.

<sup>13</sup> Entry for 23 December 1889. *Stelco*, "Montreal Rolling Mills Minute Books" series, volume 101, file 1, "Minute Book 1868-1889."

<sup>14</sup> *Montreal Witness*, 9 November 1891, 4.

<sup>15</sup> Geological Survey of Canada, *Annual Report* Vol. 8 (1895), 5.

Watsons underline the extreme mobility and dense international financial and social connections that characterized the mid-Victorian Montreal bourgeoisie, as well as their indissociable ties to the Empire.

### CHAPTER III

#### *“A General Depression in Trade”*

##### Surviving the Crisis of the 1870s

Shortly after midnight on 10 July 1873, a fire started in the annealing room of Montreal Rolling Mills’ nail and tack works. By 2:05 the conflagration had grown hot enough to stop the works’ clock, and at 2:40 the fire alarm was sounded. Thanks to the quick actions of the fire brigade the inferno was contained, but “not before the buildings had been completely gutted and a great deal of damage done.” A firefighter of No. 1 Station, John Livingston, “was severely injured by the falling of a beam on his head, while crossing from one side of the building to the other after the fire had been put out.”<sup>157</sup> Losing the most important component of a business in the middle of the busiest season of the year should have been catastrophic, but Charles Watson was quite optimistic when reporting to the company’s shareholders the following October. Montreal Rolling Mills was obviously insured, and Watson decided that the company would take advantage of the heavy fire damage to expand and improve the works. After examination, it was found that the surviving walls were sturdy enough to support the modifications, and a third floor could be constructed on the nail and tack factory. Watson estimated that the factory expansion would cost the company \$6000 over what they received from the insurance, compared to between \$18,000 and \$20,000 if they have begun the upgrade before the fire. The Board of

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<sup>157</sup> *Montreal Witness*, 12 July 1873, 3. John Livingston’s first name was determined from the *Lovell* municipal directory for 1872-73.

Directors approved Watson's plan.<sup>158</sup> No one mentioned the severe injuries to Livingston, nor the over one hundred men who would be laid off while these improvements were made.<sup>159</sup>

A few weeks before the fire at the nail and tack works, the Vienna Stock Exchange collapsed. The subsequent crisis would soon spread to North America and usher in a decade of economic stagnation that contemporaries would call the Great Depression or "a general depression in trade."<sup>160</sup> To make matters worse, the next year Alexander Mackenzie's Liberals defeated the scandal-weakened John A. Macdonald government, and bourgeois Montrealers had to face the dire threat of free traders in government. But Montreal Rolling Mills' ability to not only survive a crisis like a major fire but in fact thrive was a small example of its resilience during the difficult 1870s. During the depression and Liberal ministry, the company not only avoided bankruptcy, but continued to expand its operations, never missed a dividend payment, and entered the 1880s in excellent shape.

This chapter will argue that Montreal Rolling Mills achieved this feat by using the capacities of the joint-stock corporation in two ways. First, they and their allies mobilized to apply political pressure on the Liberal government to keep some measure of protection in place. Through their relentless lobbying, they limited the damage the free traders could do to the preferential tariffs they had come to rely on, while at the same time committing their political and economic resources to bring the protectionist Conservatives back into power. Second, Montreal Rolling Mills took advantage of the relationships it had built with some of the most powerful individuals and institutions in the Dominion, most notably that with the powerful Bank of Montreal. Due to

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<sup>158</sup> *Stelco*, "Montreal Rolling Mills Minute Books" series, Vol. 101, File 1, "Minute Book 1868-1889," entry for 8 October 1873.

<sup>159</sup> *Montreal Witness*, 12 July 1873, 3.

<sup>160</sup> E.J. Hobsbawm has characterized the period between the Panic of 1873 and the mid-1890s as "an economy changes gears." See *The Age of Empire: 1875-1914* (London: Weidenfeld and Nicolson, 1987), 34-55.

the company's reputation, its capital remained stable through the decade, and even in the depths of the depression it remained able to expand the wealth in its orbit by recruiting new partners and stockholders. However, to understand how these networks could be so crucial, this chapter must begin by showing how they operated in the years that led up to the crisis.

### *A Stockholders' Republic I: Early Patterns*

A potential investor intending to buy stock in the first decades of the twenty-first century would have a very impersonal experience. The purchase would be done through one or more intermediaries, through the abstraction of the stock market, and perhaps organized by a stockbroker. The stock could be even further abstracted by being bundled into a package – high yield, blue chip, etc. The stock purchased was unlikely to be held for more than a few months, and the average investor would be unlikely to participate in the decision-making process of the company that they were legally partial owner of, or perhaps even know what the company actually did.<sup>161</sup> The asset, the share, would be little more than a series of numbers on a digital screen.

The nineteenth century investor would have a completely different experience. Although a stock market had developed by the mid-Victorian era, it was quite limited, mainly floating railway and bank stocks.<sup>162</sup> Most joint-stock corporations sold their stock directly to investors. A businessman who sought to purchase stocks would likely have to go down to the company office and meet with the managing director or secretary. There he would either give that person cash or a cheque and be offered a share certificate. In the event that the businessman was purchasing

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<sup>161</sup> Ciepley, "Anglo-American Misconception," 623-24.

<sup>162</sup> Ranald C. Michie, "The Canadian Securities Market, 1850-1914," *Business History Review* 62 (Spring, 1988), 37-40.

shares from another person, a share transfer certificate would have to be drawn up and signed by both parties. Either way, the company officer would make a note of it in the company's stock ledger. One can imagine that the entire transaction would be accompanied by cigars and scotch, before the businessman left with a physical share certificate in hand. Even those that did purchase stocks at an early securities exchange did so in a way that "was intensely personal"<sup>163</sup> The nineteenth century act of buying and selling stock was worlds away from what our twenty-first century investor experienced. Within the mid-Victorian corporation, "any distribution of securities tended to take place within the local, personal, and familial networks of founders and managers."<sup>164</sup> Personal networks thus made for a personal experience.

When Montreal Rolling Mills was founded, it had eighteen stockholders. Five years later, at the start of the Great Depression, there were 27. On the surface this would appear to be rather modest growth. But simply comparing a snapshot of the individuals who held stock in the company in two different years misses the crucial dynamic of how the activity of buying and selling stock created and solidified relationships. If capital has any primary characteristic, it is its fluidity. As David Harvey memorably put it, "[c]apital is not a thing but a process in which money is perpetually sent in search of more money."<sup>165</sup> Stock, being a form of capital, is also fluid, moving from person to person and leaving behind a web of relationships as it is bought and sold. Forty-six stockholder accounts were opened with Montreal Rolling Mills between March 1868 and May 1873. The latter date is significant as it happened to coincide with two major developments: the start of the depression and the revaluing of company's stock, which passed

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<sup>163</sup> Christopher Armstrong, *Blue Skies and Boiler Rooms: Buying and Selling Securities in Canada, 1870-1940* (Toronto: University Press, 1997), 12.

<sup>164</sup> Julia C. Ott, *When Wall Street met Main Street: The Quest for an Investors' Democracy* (Cambridge MA: Harvard University Press, 2011), 19. Also see Ott for a broader analysis of the shift from older to broader and more modern forms of stockholding in the United States.

<sup>165</sup> David Harvey, *The Enigma of Capital and the Crises of Capitalism* (Oxford: University Press, 2010), 40.

from a value of \$1000 each to \$100, with each current stockholder receiving 10 shares for each one that they possessed previously.<sup>166</sup> This opened the door for more modest investors to enter the ranks of the company's shareholders, although its now lower price of \$100 was still far out of reach of the city's working class.

These forty-six accounts can be divided into three categories.<sup>167</sup> First were the four firms that held stock: Morland, Watson & Co., Mansfield Holland & Son, Coulthurst & MacPhie, and the Montreal Investment Association. Of these, Thomas Morland's old firm, which now carried on business under Charles Watson and James Rose, was the most significant, holding 50 shares, the most of any stockholder in this period. This account was mainly used for administrative purposes, being opened and closed three times from 1868 to 1873. The first time it was opened, only a few weeks after Montreal Rolling Mills' was incorporated in May 1868, the account purchased 35 shares from Morland, 10 from Watson, and 5 from Rose, and then immediately transferred them to Thomas Reynolds to be held as a guarantee for the 18 original investors that they would receive a minimum of eight percent annual interest for five years.<sup>168</sup> This account engaged in by far the most share transactions, with 14 recorded in this period, almost always purchasing stock and immediately reselling it. It largely traded in small amounts, buying a few shares at a time, and immediately selling them off, keeping a minimal balance. In March 1873 the guarantee was up, and Reynolds transferred the 50 shares back to the account. When the stock was revalued a few weeks later Morland, Watson & Co. became by far the largest stockholder with 1160 shares (116 at the old rate) and would change its behaviour, with few

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<sup>166</sup> Entry for 20 May 1873. *Stelco*, "Montreal Rolling Mills Minute Books" series, Vol. 101, File 1, "Minute Book 1868-1889."

<sup>167</sup> My analysis of stock ownership relies on several sources. First, a database was created by cross-referencing all stock transactions found in the company's Share Transfer Books (*Stelco*, Vol. 104) with their Stock Ledger (*Stelco*, Vol. 432). Subsequently, details on the stockholders were compiled from census data and municipal directories, as well as entries in the *Dictionary of Canadian Biography* for more prominent individuals.

<sup>168</sup> "Guarantee of Interest," 14 April 1868. *Stelco*, Vol. 106, "Legal Documents."



transactions for the rest of the 1870s, ensuring Charles Watson and his partners dominance of Montreal Rolling Mills until the end of the Great Depression.

The other three firms who formed accounts between 1868 and 1874 were much more modest in stature. The most important was Mansfield Holland's company, which had been the only firm part of the initial group of stockholders. By the 1870s Holland was being gradually pushed out of Montreal Rolling Mills, which Randolph Hersey blamed on Charles Watson's jealousy at Holland's "prosperity and took measures to oust M. Holland & Son from the business, and succeeded, leaving them worse off than when they started the enterprise."<sup>169</sup> Of Holland's eight shares, he had already sold five by the time of Morland's death in June 1870. He sold two more a month later, and sold his last share to Morland, Watson & Co. in December 1871. Holland and his son then left the hardware trade to go into the manufacture of felt hats, "having lost most of what they possessed in the manufacturer of iron and nails by the questionable actions of the M[orland, Watson & Co.]." Hersey concluded that his uncle "was a man of good ideas and good judgment in all his undertakings, but he was too kindly disposed, too easy and yielding, to successfully contend against scheming and unscrupulous 'wolves in sheep's clothing'; he detested meanness."<sup>170</sup> Finally, a small number of shares were held by Coulthurst & MacPhie, a Québec City shipping and forwarding firm which supplied Montreal Rolling Mills with a large part of its coal, and the Montreal Investment Association, which appears to have quickly flipped its six shares, only holding them for three months in 1872.<sup>171</sup>

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<sup>169</sup> *Stelco*, "Pillow-Hersey Manufacturing Company" series, volume 125, file 6, "Extract from Autobiography Randolph Hersey, Montreal. 1913".

<sup>170</sup> *Ibid.*

<sup>171</sup> *The Quebec & Levis Directory for 1871-72* (Quebec: Marcotte & Levy, 1871); *Stelco*, "Montreal Rolling Mills Minute Books" series, volume 101, file 1, "Minute Book 1868-1889," entries for 2 June 1868, 4 April 1870, 16 June 1870, 14 September 1870, 5 June 1872, and 20 May 1873.

The second major group in the republic of stockholders, and most numerous with 27 accounts opened between 1868 and 1873, were individual investors. In the 1868-73 period, during which stock cost \$1000, we can divide these accounts into two main categories: the 15 medium stockholders, who at the most held up to 9 shares, and the 12 large stockholders, who at the most held 10 or more shares. The largest stockholder was Morland (45 shares), but as we have seen he, Watson (20 shares), and Rose (10 shares) all immediately transferred shares to serve as a guarantee, for most of the period they were much more modest, having only 5 to 10 shares each for much of the period.<sup>172</sup> Outside of Morland and Watson, only two individuals ever held more than 20 shares in this period: Edwin King, president of the Bank of Montreal, and Henry N. Monck, a baronet from England whose family would return to their older name “Middleton” in the 1870s. Of the medium stockholders, the most modest was the liberal barrister Lucius S. Huntington with two shares, but most had more, with 11 of 15 owning 4 or 5. It should be emphasized that even owning those 2 shares meant that Huntington had \$2000 in capital to invest, an enormous sum for the majority of Montreal’s population. Furthermore, the number of shares owned does not indicate the wealth of each individual – Charles Brydges for example is calculated as a medium stockholder but was certainly wealthier than many large stockholders in the company. That said, he and William Markland Molson were perhaps an exception, as it is within the large shareholder category that we find the Redpaths, the Allans, George Stephen, and Edwin King.

If there was diversity in level of ownership, there was none in background for the 26 out of 27 individuals with available census data. These stockholders were an extraordinarily homogenous group: fifteen were Scottish and eight were English, and all but one was Protestant (two if we

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<sup>172</sup> This would drop Rose from being a large stockholder to a medium one, but I have decided to keep him in the first category for the sake of consistency with my use of maximum shares held.

include Mansfield Holland, but his stock was held by his firm and therefore is not included in these calculations). Nine were born in what was by then the Province of Québec, and there was only one person listed in the census as having French ancestry, the physician William Sutherland, and a single woman, Susanna Corse Fisher. None of this is surprising; this religious and ethnic makeup is exactly what we should expect from a corporation that, as we have seen in Chapter 2, was a creature of the Anglo-Protestant bourgeoisie.

However, there was a large divergence between large and medium stockholders was in length of ownership and active participation. As David Ciepley points out in challenging the idea that stockholders should be considered owners of a corporation, the average share today is only owned for four months.<sup>173</sup> In Montreal Rolling Mills' case, for accounts opened in the 1868-73 era, stock was held on average for 95.8 months, almost eight years. There was however an enormous divide between large and medium stockholders, the former holding shares for an average of 172.7 months (over fourteen years), the latter only 57.2 months (less than five years). The disparity would be even greater if we considered Peter Redpath's and Andrew Allan's accounts, which were still active when Montreal Rolling Mills merged into Stelco, which by 1910 were both active but controlled by their estates. For the sake of precision, my calculations are based on the length by month, rounded up, from the opening of an account to its closing. However, even without including these half-century long accounts, we can clearly see that there was an enormous difference between medium and large stockholders, although even the length stock was held on average by medium stockholders was orders of magnitude longer than what is the case today.

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<sup>173</sup> Ciepley, "Anglo-American Misconception," 624.

There are two likely reasons stock was held for so long in this period. The first is something we have seen before and will return to: Montreal Rolling Mills stock was seen as a safe asset. This is a result of reputational capitalism and the knowledge that the most powerful members of the Montreal bourgeoisie were notable investors and, even more importantly, directors. The fact that Andrew Allan and Peter Redpath never stopped being shareholders – and would both eventually become company presidents – mattered for creating investor trust. As I have argued in Chapter 2, having these men on your board of directors was as good a credit rating as a company could get in mid-Victorian Canada. The second likely reason was that although by this period a securities market had developed in Canada, it mainly floated commercial banking stock.<sup>174</sup> Manufacturing enterprises like Montreal Rolling Mills sold stock directly to investors in their offices rather than in the neutral venue of a stock exchange, and thus depended on personal relationships un-obfuscated by brokers.

The nature of these relationships was certainly also reflected in the active participation of stockholders in the operations of the company. Once again, we can see here a divergence between large and medium stockholders. Every year between 1868 and 1873, the majority of large stockholders attended the Montreal Rolling Mills' annual general assembly, from a low of 50 per cent in 1870 and 1871, to a high of 72.7 per cent in 1872. In the same period, the majority, 66.7 per cent, of medium stockholders attended the assembly only once, in 1873. The other years saw attendance vary between 20 and 40 per cent. The sample size here is small of course, but it does correlate with what we would expect: the direct relationship created by the experience of buying and selling stock led to more active participation than we would later see in stock markets, where that experience was abstracted by brokers. This participation should not be

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<sup>174</sup> Michie, "The Canadian Securities Market," 41.

mistaken for a sort of corporate democracy, of course. Bourgeois Montrealers had no more patience for democracy within their corporations than outside them. The corporation may have been a “small republic,” but it remained autocratic, whereby voting was done by share, not by person.<sup>175</sup> This meant that larger stockholders like Thomas Morland could maintain effective control over the enterprise.

After firms and individuals, the third category of stockholders were trusts. These were legal forms at least as old as corporations, developing from the medieval English “use,” where “common-law proprietors held the formal title over the land for the use of beneficiaries who had an equitable interest in the same land.” The trust depended on a relationship of confidence between the trustee – the person who controlled the asset – and the beneficiary – the person who legally owned it. By the late-eighteenth century, the trust evolved to better suit the needs of the growing bourgeoisie, and the investment trust appeared. According to Ron Harris, the investment trust had four major characteristics that set it apart from earlier forms:

It was employed chiefly by middle class and nouveau riche upper-class families, rather than old landed families; it held mixed property, a large portion of which was nontangible property such as government stock and corporate shares, rather than predominantly real property; it had a relatively high turnover of assets, according to changing market opportunities, not fixed estates to be held in specie by the same family for generations; and, last, as a consequence of these three differences, trustees were expected to be active managers of the trust assets, or to employ and supervise agents with professional and managerial capacities, rather than to be merely titular owners of land or passive watchers over heirs.<sup>176</sup>

Functionally, trusts also served to obfuscate ownership, as there was no legal obligation to identify the beneficiary, only the trustee.

Between 1868 and 1873, fourteen trust accounts were opened at Montreal Rolling Mills. With 50 shares worth \$50,000, by far the largest trust was the one held by Thomas Reynolds, which

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<sup>175</sup> *Stelco*, “By-Laws,” Vol. 107, Files 2, “Bye-Laws of the Montreal Rolling Mills Company, Montreal,” (1883).

<sup>176</sup> Harris, *Industrializing English Law*, 21, 150.

was the five-year guarantee for dividend payments from Morland, Watson & Co. The others were also much more modest, with only three fitting into the large category, George Stephen and Thomas Christian both holding 15 shares and James Rose holding 11, all for unidentified beneficiaries, and the other accounts all controlling 9 or fewer shares. The four large accounts varied enormously in length of ownership, Stephen and Christian only being trustees for less than a year, while Rose remained trustee for over ten years. Reynolds returned Morland, Watson & Co.'s guarantee in March 1873. Medium trust accounts also varied enormously in length of ownership, but a larger sample size allows a somewhat more representative average of just over seven years. The most significant thing that comes out of this data, however, is not length of ownership, but the number of transactions each account made, which averaged out to 1.5 for the large trusts and 1.3 for the medium. Nine out of the fourteen trust accounts made only one or no transactions at all between 1868 and 1873. This suggests that their purpose was less speculative than individual accounts, which averaged 3.4 and 2.1 transactions respectively during the same period. They were used to provide regular, reliable dividend payments for the beneficiary. As Chapter 4 will show, as long as the dividends arrived when expected beneficiaries – the actual owners of the stock – could ignore the details of their investment, making the shareholding experience much closer to the abstracted stock market of the twentieth century than the personal experience of the mid-Victorian era.

After firms, individuals, and trusts, there remained a single account that does not fit neatly into these categories but would become more important as the company aged and the people in its orbit died: estates. Only a single stockholder died while holding Montreal Rolling Mills stock between 1868 and 1873, Thomas Morland. Once again, Chapter 5 will explore estates in more

detail, and it will suffice here to note that the mortality of stockholders contrasted with the immortality of the corporation.

This analysis of stockholding in Montreal Rolling Mills' first half-decade reveals several patterns that would be crucial in the decades that would follow. First, the company remained a creature of the city's Anglo Protestant bourgeoisie, and the expansion of stock ownership did nothing to change this ethnic makeup. This reflects how in a period where stock was not made impersonal by exchanges the experience of stockholding was tied to social networks. More than a mere speculative asset, stock was a way to consolidate pre-existing social networks and forge new ones. Second, although these social networks were as gendered as the rest of Victorian society, women were not absent, although in the early 1870s they were very much in the background. For them, the experience of stockholding was completely abstracted, with legal assets they owned being under the control of a male relative or family friend. But unlike the company's ethnic makeup, which stayed very consistent over the next decades, women would gradually move away from having their stocks controlled by others. The period 1868 to 1873 was also notable because it was only in these years that Montreal Rolling Mills stockholding was reserved for the higher strata of the Montreal bourgeoisie. In March 1873 the company revalued its stock, each share passing from \$1000 to \$100. This created the opportunity for more modest bourgeois men and women to take part in the republic of stockholders and would open up the possibility of a much larger capital base for the company as a roaring economy and western expansion pointed to the sky being the limit. But then, suddenly, it all came crashing down.

*The Great Depression*

Maybe it was all Jay Cooke's fault. At the very least the American financier was intimately involved in the twin disasters that struck bourgeois Montrealers in 1873. The first was the Pacific Scandal. Cooke had his fingers in many pies, and one of those pies was the planned Canadian Pacific Railway meant to link Montreal to British Columbia, providing what nationalists believed to be the iron backbone of Canada that would keep the Americans from annexing the Prairie West. Cooke went into business with Hugh Allan, then at the height of his power. As always bourgeois Montrealers were intimately connected to the Conservative Party, and Allan and Cooke used these ties to obtain the charter for the Pacific railway project, mainly by funnelling immense funds into the party's coffers. When this was exposed in the fall of 1873, nationalist outrage at the American Cooke's involvement in the scheme led to the Conservative government being forced to resign. Still reeling from the scandal, Macdonald lost the subsequent election by a wide margin to the free-trading Liberal Party (Figure 3.1).<sup>177</sup>

The second major crisis was the start of what would become known as the Great Depression, and more typically referred to in company minute books as a "general depression in trade."<sup>178</sup> Although the Vienna Stock Exchange collapsed in May 1873, it took a few months for the crisis to truly spread to North America. The United States was hit first, when in September Cooke's firm, no longer capable of selling its bonds, declared bankruptcy. Hundreds of banks and companies quickly followed as the crisis ravaged North America.<sup>179</sup> Every country experienced the crisis differently. In the United States the downturn was very sharp and brutal but only lasted

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<sup>177</sup> A. A. Den Otter, "Nationalism and the Pacific Scandal," *Canadian Historical Review* LXIX:3 (1988), 315-318, 335-336.

<sup>178</sup> See, for example, *Stelco*, "Montreal Rolling Mills Minute Books" series, volume 101, file 1, "Minute Book 1868-1889," entries for 1 June 1874, 4 July 1875, 23 May 1876, 31 January 1877, 6 March 1878, 29 January 1879.

<sup>179</sup> Nelson, *A Nation of Deadbeats*, 165-67.





**Figure 3.1: Canada's Laocoön.**

Hugh Allan is portrayed here as Laocoön of Greek myth, being attacked by a serpent bearing such words as "PERFIDY," "BRIBERY," and "PACIFIC RAILWAY OF CANADA." On either side of Allan, portraying Laocoön's sons, are John A. Macdonald and Francis Hincks. In the back, Uncle Sam and an American eagle watch as the serpents they have unleashed attack. In one version of the story Laocoön's sons are killed by the serpent while he is forced to live on with the guilt. Ultimately, Macdonald and Hincks would pay the price for the Pacific Scandal and spent five humiliating years in opposition. The only consequence for Allan would be that it was another bourgeois Montrealer, George Stephen, who would ultimately spearhead the Pacific railway project.

Source: John Wilson Bengough, "Canada's Laocoön; or, Virgil on the Political situation," Grip Printing and Publishing Company, 1886. McCord Museum, M9994X.5.273.69.

about four years. In Canada the banking panic in 1873 was not felt as keenly, but the depression itself lasted longer and kept getting worse until well into 1879. Indeed, in that last year equity

prices dropped by one-fifth, four banks went bankrupt, and Canadian businesses failed at a rate three and a half times that of the United States. According to Edward Chambers, “[i]t is probably correct to say that if the contraction entered Canada quite unobtrusively, it left only after making an indelible impression.”<sup>180</sup>

The twin crises of 1873 came only a few years after another shocking event shook bourgeois Montrealers’ sense of stability. When the Paris Commune broke out in 1871, Canadian newspapers kept readers well informed on the epochal events across the Atlantic, and as Alban Bargain-Villéger has shown opinion was uniformly hostile to the Parisian revolutionaries. Much of the perceived danger came down to the terrifying spectre of socialism, and its attendant threats to “private property, religion, and traditional family.”<sup>181</sup> Although the Commune was swiftly and brutally put down, as many as 3000 revolutionaries are thought to have made their way to exile in Québec, mainly taking residence in Montreal.<sup>182</sup> Although the accusation that these Communards were behind many of the most violent labour revolts of the 1870s was certainly overblown,<sup>183</sup> the belief that the province was teeming with experienced proletarian revolutionaries surely did nothing to assuage bourgeois Montrealers’ fears. At the same time as the Commune was being crushed, Montreal Rolling Mills experienced its first major strike, which it dealt with by obtaining warrants against men attempting to stop scabs from working and then replacing the strikers “as men were at once hired in their places and the work is now going bravely on.”<sup>184</sup> Nonetheless, this was a tense beginning to the decade, made all the worse when

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<sup>180</sup> Edward J. Chambers, “Late Nineteenth Century Business Cycles in Canada,” *Canadian Journal of Economics and Political Science* Vol. XXX, no. 3 (August 1964), 399.

<sup>181</sup> Alban Bargain-Villéger, “The Scarecrow on the Other Side of the Pond: The Paris Commune of 1871 in the Canadian Press,” *Labour / Le travail*, 74 (Fall 2014), 194-96.

<sup>182</sup> Mathieu Houle-Courcelles, *Sur les traces de l’anarchisme au Québec (1860-1960)* (Montréal, 2008).

<sup>183</sup> Jean-Philip Mathieu, “‘C’est le peuple qui est maître ; nous sommes les maîtres à Québec’ : La grève des ouvriers des travaux publics, juin 1878,” *Labour / Le travail* 70 (Fall 2012), 134-35.

<sup>184</sup> “A STRIKE,” *The Gazette*, 12 May 1871, 2; “THE NAILER’S STRIKE,” *The Gazette*, 13 May 1871, 2.

two years later the economy crumbled around them and their allies in the Conservative Party were chased from power.

Montreal Rolling Mills was hit hard by the depression. Although the company never operated at a loss, its annual net profits declined roughly 60 per cent between 1873 and 1874, going from \$110,047 to \$42,856, and after that stayed roughly flat for four years. And in their annual reports to shareholders the directors complained year after year about the difficulties brought on by the depression although they always followed that up by congratulating themselves for having turned a decent profit regardless. This was perhaps fair when we consider that in 1875 alone almost 2000 firms representing liabilities of just under 29 million dollars failed in Canada.<sup>185</sup> The company's directors responded to the crises that engulfed them in a few ways. First of all, they engaged in the time-honoured tradition of slashing wages, and by early 1875 the works' roughly 250 employees were getting paid 15 to 20 percent less than before the crisis.<sup>186</sup> This came at a time when Montreal's working class was already in dire straits.<sup>187</sup> Making things even worse was the collapse of the Canadian labour movement, which had had been on the rise before the depression hit; the defeat of the 1870s was so total that the labour movement had to be resurrected almost from scratch after 1880.<sup>188</sup> These were hard times, with some contemporaries estimating that half of industrial workers were unemployed. In Montreal and throughout the Dominion, unemployed workers marched through the streets demanding work, bread, and blood.<sup>189</sup> Cutting wages in this context was a brutal choice, but company directors were

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<sup>185</sup> Annual Circular of Dun, Wiman & Co., as reported in the *Montreal Herald*, 17 January 1879, 1.

<sup>186</sup> "State of Labor in Montreal," *Montreal Witness*, 25 March 1875, 2.

<sup>187</sup> For the condition of the working class in the second half of the nineteenth century, see Bettina Bradbury, *Working Families: Age, Gender, and Daily Survival in Industrializing Montreal* (Toronto: Oxford University Press, 1993).

<sup>188</sup> Bryan D. Palmer, *Working-Class Experience: The Rise and Reconstitution of Canadian Labour, 1800-1980* (Toronto and Vancouver: Butterworth & Co., 1983), 94-95.

<sup>189</sup> Bryan D. Palmer and Gaétan Héroux, *Toronto's Poor: A Rebellious History* (Toronto: Between the Lines, 2016), 50.

unperturbed. For men like Charles Watson the question of maintaining protective tariffs was a much more pressing concern than whether his employees could afford to eat or not.

### *Crash Politics II: Tariff-Making in the Liberal Interregnum*

Alexander Mackenzie's Liberals inherited a familiar problem when they came to power in late 1873. Like during the dreary winter of 1857-58, the Dominion needed money, and with Lombard Street tightening its belt, and direct taxation out of the question, the only option was to use a revenue tariff. Furthermore, although the Liberals were unquestionably the party of free trade, to compete in industrial centers like Hamilton and Montreal even they had to accept the logic of incidental protection, and even promised not to reduce the already existing tariff. But raising it was another question altogether. Mackenzie appointed Richard Cartwright as Minister of Finance, and one of his first tasks was to put together a revenue tariff to raise desperately needed funds. Cartwright was an ardent free trader – he was even later called “the Cobden of Canada”<sup>190</sup> – and his tariff reflected these beliefs. Thus, when the new tariff schedule was announced in the budget for 1874, it bitterly disappointed the protectionist lobby. Being designed in the classic mould of revenue tariff first, with incidental protection as an unfortunate side-effect, duties were raised on raw materials with finished goods only marginally higher.<sup>191</sup>

If the Liberals were going to raise tariffs, it would have to be because they had no choice. It needed to be justified by data, to make sure that a maximum of revenue could be collected and a minimum of protection, all incidental, would be offered. In preparing the tariff, Cartwright had requested specific information from manufacturers who petitioned him with their demands.

According to Ben Forster, “the questions were a facet of Cartwright's methods of solving the

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<sup>190</sup> Neill, *A History of Canadian Economic Thought*, 118.

<sup>191</sup> Forster, *A Conjunction of Interests*, 127-129.

problems of commercial policy [...] he tried to develop sources of information and statistics independent of manipulative interpretation of businessmen.”<sup>192</sup> The need for justification for any modification was well acknowledged when a protectionist Liberal explained that “[i]t is in the interest of those who wear the pants that we don’t advise any change in the [tariff] law without cause.”<sup>193</sup>

A few weeks before Cartwright’s budget speech, a Select Committee was formed by Parliament to “enquire into and report to the House on the extent and condition of the Manufacturing Interests of the Dominion [...]” It was set up by protectionist Liberals along with a handful of Conservatives to collect evidence supporting a more protectionist tariff. A series of questions had already been sent by the clerk of the House of Commons to manufacturers throughout the country, with 215 businessmen responding in writing, while 19 others were interviewed in person. The committee however was criticized for being overly protectionist; indeed, one member, John Walker, believed that he was the only free trader. It was therefore expanded to include free traders and some representation from the Maritime provinces. The MP for King’s in New Brunswick, James Domville, a protectionist who served as director of the Coldbrook Rolling Mills Company, was asked to join the committee, but declined. The final group was made up of 16 Liberals and 5 Conservatives, so the rule limiting the size of committees to 15 had to be suspended.<sup>194</sup>

There was a language in protectionist lobbying, one that remained fairly consistent throughout the last third of the nineteenth century. Three main arguments were utilized again and again: first, foreign competition was unfair; second, protection would create employment, and

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<sup>192</sup> *Ibid.*, 135.

<sup>193</sup> *Journals* (1874) Vol. 8 App. 3, 25.

<sup>194</sup> *Debates* (1874) Vol. 7, 37.

conversely, a lack of protection would cost jobs; third, the petitioner usually wished there were some other way, but, alas, they had no choice. The most consistent complaint by the respondents to the committee was that of “slaughtering” by manufacturers in the United States, what we would today call dumping. American goods had become increasingly cheap, and as the Hamilton iron-founder Edward Gurney explained, “[w]ith this cheapness of production [...] comes a disposition to export, this last season, for the first time in many years, we found part of the Canadian market occupied by American goods, and the whole of the foundry operations of the year suffered a contraction in perfect correspondence.” Some respondents claimed that American manufacturers were dumping specifically to eliminate Canadian competition, one firm citing Dennis & Co. of Chicago, who when asked why they were selling tubular lanterns in Canada for \$3 less than in the United States, was said to have responded “they would sell for less than cost in order to undersell the Canadians [...]” Charges of slaughtering were not only levied at Americans, the Canada Screw Company arguing that “English manufacturers [...] have sold screws in the Dominion at lower prices than for other markets, for the avowed purpose of crippling them.” These arguments were often accompanied with threats to leave the country, as the boot and shoe manufacturer M. B. Mullarkey bluntly put it: “If our market is thrown open to foreigners I am going to throw up my business here and go to Lynn [Massachusetts], and manufacture goods for South America, because we cannot compete with the surplus stock of a foreign manufacture.”<sup>195</sup> Slaughtering was a particular concern for bourgeois Montrealers and their allies as they saw the influx of cheap consumer goods as a major contributor to Americanization. Indeed, Conservatives feared that the country was “importing in through the

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<sup>195</sup> *Journals* (1874) Vol. 8 App. 3, 5-6, 12, 64.





**Figure 3.2: On the Fence.**

Here we see John A. Macdonald stopping an American engaged in slaughtering, telling him that from now on he cannot enter free and needs to pay the duty. Amongst the goods being smuggled into Canada are "Yankee Notions."

Source: James Weston, "On the Fence," *Canadian Illustrated News*, 29 March 1879.

back door all the republicanism that Macdonald had so carefully shown out the front" (Figure 3.2).<sup>196</sup>

<sup>196</sup> Heaman, *Tax, Order, and Good Government*, 132.

Another major argument that would remain consistent was the claim that protection would encourage employment. This was particularly powerful as emigration to the United States was accelerating in the 1870s and by the last decade of the nineteenth century was seen as an existential crisis, the “*Saignée nationale*.”<sup>197</sup> According to the testimony of Charles Fitzgerald, the money being used to import pig iron “might, under a judicious system of protection, be expended in it, and afford employment to thousands who annually emigrate in search of labour more suited to their inclinations than that solely of the agriculturalist.” For the clothing industry, the committee argued that it “gives employment to a great number of females who can get nothing else to do” but now suffer because of “the introduction of low-priced English goods into Canada take from this class the only style of goods they are competent to make.” This argument could easily be expanded into a broader appeal to economic nationalism, as a respondent in the machinery and tools put it, “that any change in the tariff will [hopefully] be to foster home industry [and] add to the population and strength of the Dominion.”<sup>198</sup> It would also naturally morph into the barely concealed threat of being forced to close and put hundreds out of work if businessmen did not get their way.

Knowing their audience, many respondents made it clear that ideally, they would prefer free trade, but protection was an unfortunate necessity. A producer of machinery and tools wrote that they could easily compete with the Americans if “we were admitted to their market, and therefore would desire nothing better than reciprocity. Being excluded, we need a customs duty sufficiently high to prevent the occasional or periodical overflow of their surplus.” William Wilkie, a sewing machine manufacturer from Guelph admitted that [i]t may be thought unfair

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<sup>197</sup> See Bruno Ramirez, *On the Move: French-Canadian and Italian Migrants in the North American Economy, 1860-1914* (Toronto: McClelland & Stewart, 1991) and *Crossing the 49<sup>th</sup> Parallel: Migration from Canada to the United States, 1900-1930* (Ithaca NY: Cornell University Press, 2001).

<sup>198</sup> *Journals* (1874) Vol. 8 App. 3, 5-7, 11, 14.



that we should ask for a protective tariff,” but, once again appealing to economic nationalism, “we believe that the sewing machine interest is important to this country, as it brings a great amount of money into the country for labor employed.”<sup>199</sup>

None of Montreal Rolling Mills’ letter books from before 1879 have survived, but there are certain clues in the special committee’s report about their lobbying efforts, which were consistent with the company’s strategies in the 1880s. First, sometime in the spring, a “representative proceeded to Ottawa to solicit” for an advantageous tariff schedule for the company. This representative was almost certainly Charles Watson. The company had understood that Cartwright’s tariff would place a duty of five percent on “raw irons,” which included pig and scrap iron, and most importantly for the rolling mills, puddled bars, which was their primary input, while placing 7½ per cent protection on finished iron. However, when the final tariff was announced on 15 April, both raw and finished iron were placed at the same level of 5 per cent. This was consistent with a tariff made for revenue but offered nothing in the way of even incidental protection. Montreal Rolling Mills was angry enough that they would refuse to participate in the special committee’s hearings, sending a letter stating that “[i]n view of these circumstances, we think it of no avail to make further remonstrances personally before your Committee,” but requested that the letter be included in the proceedings.<sup>200</sup>

Montreal Rolling Mills likely did not need to testify before the committee. The last witness was Randolph Hersey, of Pillow, Hersey & Co., one of the company’s chief competitors in the hardware manufacturing trade. Although as we have seen Hersey privately detested Watson due to the latter’s treatment of Mansfield Holland, the two companies had a long-standing agreement

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<sup>199</sup> *Ibid.*, 11, 49.

<sup>200</sup> *Ibid.*, 48-49.

to control prices.<sup>201</sup> Hersey himself admitted in his testimony that “[d]uring the last four of five years we have had a sort of union among ourselves not to ‘kill each other.’”<sup>202</sup> Although he does not mention Montreal Rolling Mills by name, it is clear from correspondence in the 1880s that both were part of the same combination.<sup>203</sup> Watson frequently entrusted Hersey to act as representative of the rolling mills, and his refusal to testify could be an indication of the desire for the combination to show a united front. This could also explain why Domville refused to serve on the select committee.

The final report was submitted to Parliament on 19 May. It concluded with eight recommendations, the most important of which were, first, that the “evil” of slaughtering severely damaged Canadian manufacturing and contributed to workers leaving to find employment in the United States. The committee argued that this fact “should induce even those who may regard free trade as a correct principle, in the abstract, to recognize the necessity for a modification of that principle as a measure of self-protection [...]” Second, protection would not increase costs for Canadian consumers, because “a large manufacturing establishment can afford to sell its products at a lower rate than a smaller one.” Third, protection needed to be permanent, and “adjusted as to afford adequate protection to existing industries, and to invite the attention of capitalists to branches of industry which as yet have not been successful in this country, and which are yet untried.”<sup>204</sup> These recommendations went far beyond the standard Liberal arguments for incidental protection, advocating for extensive effective protection for the explicit purpose of domestic industrialization on economic nationalist principles.

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<sup>201</sup> *Stelco*, “Pillow-Hersey Manufacturing Company” series, volume 125, file 6, “Extract from Autobiography Randolph Hersey, Montreal. 1913”. *Journals* (1874) Vol. 8 App. 3, 67.

<sup>202</sup> *Journals* (1874) Vol. 8 App. 3, 67.

<sup>203</sup> For combinations and cartels in Canada, see Michael Bliss, *A Living Profit: Studies in the Social History of Canadian Business, 1883-1911* (Toronto: McClelland and Stewart, 1974), 33-54.

<sup>204</sup> *Journals* (1874) Vol. 8 App. 3, 1-2.

The handful of free traders on the committee obviously disagreed. In committee they attempted to replace the report with their own, and when that failed, the minority submitted it directly to the House of Commons. Considering this, Alfred Gilpin Jones, MP for Halifax, stated that he was “unwilling that the views of the [protectionist] majority should be set forth as the views of the House.”<sup>205</sup> The dissenting report argued that the examples retained as evidence by the committee were a minority of the total businessmen to “whom the questions were addressed,” and the free traders were “of opinion that the answers must be regarded rather as implying a desire on the part of certain manufacturers for increased protection, than as an indication that such protection is necessary in the public interest.” With regards to American slaughtering, the free traders dismissed the problem regarding “them as exceptional and unlikely to be of frequent recurrence.” Citing the argument for protecting infant industries, they believed that this was not relevant as those manufacturers who had given evidence “have already passed into a condition of vigorous and progressive development.” The dissenters therefore concluded that there was not “sufficient reason for the imposition of duties higher than those which, being required for the purposes of revenue, constitute an incidental protection to the manufacturers of Canada.”<sup>206</sup>

Whether influenced by the Liberal protectionists’ report, by intense pressure from angry manufacturers like Charles Watson who multiplied their complaints, or most likely both, Cartwright was forced to walk back some of his changes, notably by putting certain raw iron commodities back onto the free list. But whatever compromises the minister of finance made would be soon forgotten as the Liberals shifted back to their free trade instincts and once again tried to restore reciprocity with the United States. The proposed treaty faced determined

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<sup>205</sup> *Debates* (1874) Vol. 7, 359.

<sup>206</sup> *Journals* (1874) Vol. 8 App. 3, 2-4.

opposition from Canadian manufacturers before dying on the floor of the US Senate in 1875.<sup>207</sup> The Cartwright Tariff and the Select Committee on the Manufacturing Interests of the Dominion were representative of the challenges of Liberal tariff-making. Most of the party was ideologically committed to free trade, but the realities of public finance in an era where tariffs were the main source of government revenue and unable to convince the Americans to return to reciprocity, the Liberals flailed in the face of a consistent protectionist campaign by Macdonald's Conservatives. The belief of both free trader and protectionist Liberals that with data and evidence they could find the correct balance between protectionism and free trade was doomed because this was not a question that could be settled with more information. Forster argues that the failure of the free trade schemes also showed how united manufacturers and merchants had become during the tariff debates of the 1870s, as by defying the Liberals, a "sense of common purpose developed, as businessmen asserted the vitality of their role in developing the nation."<sup>208</sup>

The National Policy assuaged many of the fears of bourgeois Montrealers. Protection was no longer a question publicly debated but rather a reality privately managed through the instrument of the party. Perhaps just as importantly, in the lead-up to the 1878 election the Conservatives had succeeded in creating an effective cross-class alliance uniting the bourgeoisie and industrial workers.<sup>209</sup> The ideological underpinnings of this unusual alliance had been relentlessly pushed by Isaac Buchanan, who while a conservative, was also an ardent advocated for (non-socialist, non-union) labour, arguing, in language echoed by many witnesses before the 1874 Select Committee, that protection would create jobs.<sup>210</sup> This was a powerful argument during the

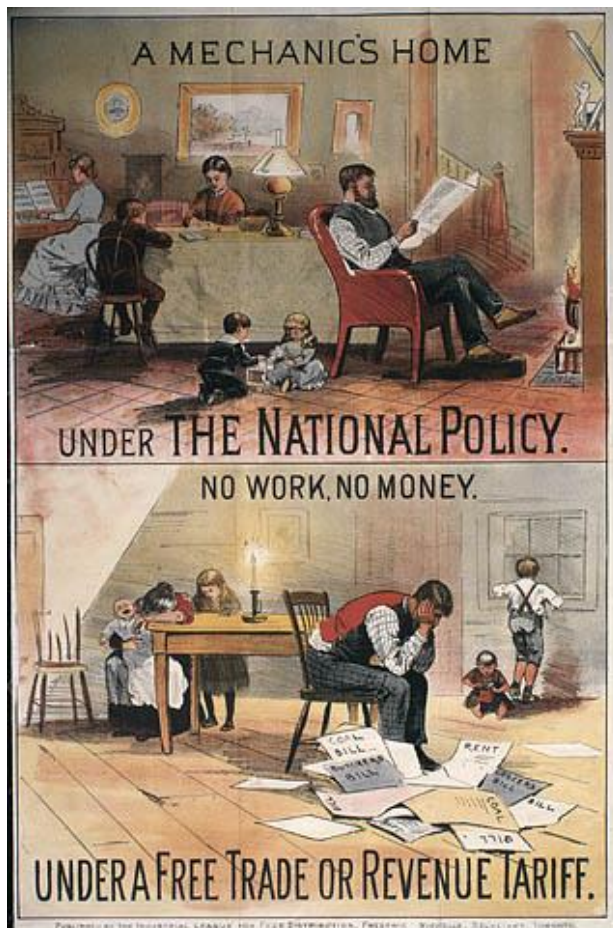
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<sup>207</sup> Forster, *A Conjunction of Interests*, 130-31

<sup>208</sup> Forster, *A Conjunction of Interests*, 133.

<sup>209</sup> Paul Craven and Tom Traves, "The Class Politics of the National Policy, 1872-1933," *Journal of Canadian Studies / Revue d'études canadiennes* 14:3 (Fall 1979), 18.

<sup>210</sup> Helleiner, "Conservative Economic Nationalism," 8.



**Figure 3.3: Tory Election Poster, 1891.**

*This is a rather aspirational poster arguing that under the National Policy the working class could enjoy the bourgeois ideal, contrasted with a dystopia where the Liberals re-imposed free trade. Of course, the reality was that even under protection the working class could hardly even afford to live like the family in the lower frame.*

Source: Library and Archives Canada, Miscellaneous Poster Collection, "A Mechanic's Home Under the National Policy – No Work, No Money Under a Free Trade or Revenue Tariff," *Industrial League* (Toronto, 1891).

depression, especially when the downturn hit its nadir in 1877-78. Rallying workers behind protection certainly reassured nervous bourgeois Montrealers, who looked on as the metropolis was rocked by numerous violent strikes, with seven major conflicts in 1877 alone.<sup>211</sup> The broad alliance around the National Policy was a temporary reprieve, as the labour movement made a major comeback in the 1880s after having been largely crushed during the depression, while becoming somewhat more agnostic with regards to protection. After all, if that was what the boss wanted, what were the odds that it would turn out to be bad for the worker?<sup>212</sup> The Conservatives would continue to solicit working-class support, although with much less success in subsequent

<sup>211</sup> Jacques Rouillard and Jean Hamelin, *Répertoire des grèves dans la province de Québec au XIXe siècle* (Québec, 1970).

<sup>212</sup> Craven and Traves, "Class Politics," 18.

elections (Figure 3.3). But with the economy improving, the Montreal bourgeoisie's position was much more stable, with their wealth now hopefully safe under the National Policy and Conservative dominance. Of course, this did not mean that individual businessmen always got what they wanted. As the case of Montreal Rolling Mills shows, parsing the specific demands of countless competing firms remained a challenge, and tariff management in the post-1879 world was no less ruthless a battlefield than it was under the Liberals. This would be a world of corporate *realpolitik*, where broader ideas of national industrial development were subsumed by the specific interests of businessmen representing first and foremost their own corporations.

#### *Reputational Capitalism II: The Bank of Montreal Connection*

Lower labour costs and protective duties certainly helped Montreal Rolling Mills get through the depression, but they are not a sufficient explanation for the company's success. After all, these things were also advantageous for the rest of Canada's iron and hardware trade. Rather, the company succeeded because of two interlinked factors: reputation and relationships. These were connected to its founding as a joint-stock corporation and more importantly the individuals that by becoming the company's shareholders were pulled into its orbit. As I have shown, there could be no better credit rating than having Hugh Allan as an investor, even after he inadvertently brought the hated Liberals into power.

But perhaps the most important relationship the company had was with the Bank of Montreal. The bank's officers were major investors in the company, owning stock both personally and in trust for the bank. Perhaps the most notable was George Stephen, who served as vice-president (1873-76) and president (1876-81) of the Bank of Montreal before leading the syndicate that would finally build the Canadian Pacific Railway in the 1880s. Stephen was one of Montreal

Rolling Mills' initial subscribers and served as one of the company's directors throughout the 1870s. More generally, numerous Bank of Montreal officers owned Montreal Rolling Mills stock during the company's existence between 1868 and 1910: four out of its six presidents (King, Stephen, Charles Smithers, and George Drummond), three of its six vice-presidents (Stephen, George Drummond, and Edward Clouston), and three of its four general managers (Smithers, Wentworth Buchanan, and Clouston).<sup>213</sup> There was also considerable overlap in stockownership, with more than half of Montreal Rolling Mills individual stockholders also holding Bank of Montreal stock either as individuals or as trustees in 1881.<sup>214</sup>

The bank did not hold Montreal Rolling Mills stock in its own name, but there was clearly a cluster of stock that is directly connected to it. The relationship started at the company's inception, as Edwin Henry King was an initial stockholder in 1868 while he served as general manager of the bank, before being promoted to president the next year. King resigned from his position in 1873 and moved to Great Britain where he would be part of the bank's London committee. He still maintained ties with Montreal Rolling Mills, being a stockholder until his death in 1896, with Edward Clouston taking control of the shares as executor of King's estate. George Stephen was also an initial stockholder but only got involved with the Bank of Montreal in 1871 as a director before later being made vice-president and president. A few months before he left the presidency in 1881, Stephen transferred his remaining shares to Charles Smithers, his successor in the position. Smithers held the stocks in trust for two years before transferring them to Edwin King in 1882, which like the rest of his stock he held until his death. The second pool

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<sup>213</sup> Laurence B. Mussio, *Whom Fortune Favours: The Bank of Montreal and the Rise of North American Finance*, vol. 1 (Montreal and Kingston: McGill Queen's University Press, 2020), 114 table 6.1.

<sup>214</sup> *Stelco*, "Montreal Rolling Mills Share Transfer Books" series, Vol. 104, Files 1-3; "Montreal Rolling Mills Stock Ledger," Vol. 432; Bank of Montreal, *List of Stockholders of the Bank of Montreal on 31<sup>st</sup> May, 1881* (Montreal: no publisher, 1881).

of stock tied to the Bank of Montreal was originally transferred to Wentworth Buchanan, manager of the local branch, by James Rose in security to debts he had with the bank. As we will see in Chapter 4, this stock transfer was a legal mess and led to a lawsuit and Rose's eventual loss of standing in bourgeois Montreal society. For now, what is important is that like Stephen, Buchanan was promoted to general manager in 1881 and before starting his duties also transferred the stock he held in trust, amounting at that point to 970 shares (worth \$97,000), to his successor, Edward Clouston. Most of these shares had been purchased over 1879 and the first half of 1880 from Morland, Watson & Co. or directly from the firm's partners, and were sold back in small increments between June 1880 and April 1881. This was likely a way of injecting liquidity into Montreal Rolling Mills by Buchanan, with smaller monthly repayments starting as the economy recovered in 1880. By the end of 1881, Clouston still held 310 shares in trust, which he would hold into the early twentieth century during his long reign serving simultaneously as general manager of the Bank of Montreal and president of Montreal Rolling Mills.<sup>215</sup>

The reputation that was created by relationships like these made the company's stocks a very good investment, and during the depression investors typically held onto them. The shares also maintained their value, with only a handful being sold at less than \$100 and this only in 1878 and 1879, the nadir of the depression. Furthermore, the company issued another \$100,000 worth of stock in February 1874, just as the Depression was starting to bite in Canada, and these shares were eagerly gobbled up by bourgeois Montrealers like Stephen, Allan, and Redpath.<sup>216</sup> Montreal Rolling Mills' relationship with the city's economic elite, and the reputation that came along

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<sup>215</sup> *Stelco*, "Montreal Rolling Mills Share Transfer Books" series, Vol. 104, Files 1-3; "Montreal Rolling Mills Stock Ledger," Vol. 432.

<sup>216</sup> *Ibid.*; Mussio, *Whom Fortune Favours*, 114 table 6.1.



with it, were the main factor allowing it to survive the Great Depression. Due to the vast sums invested by stockholders, the company always had the capital to continue its operations and even expand them, buying up more land, improving machinery, and sending agents out west to get orders.<sup>217</sup> As the *Montreal Herald* reported in the winter of 1876, “too many young [hardware] firms, with little or no capital, and many others with borrowed capital at high rates had gone into the trade and had conducted business in such a loose manner as to admit no doubt as to the result.”<sup>218</sup> But Montreal Rolling Mills had plenty of capital and rarely needed to borrow. Charles Watson even credited much of the company’s success on its “ability to pay Cash for the greater part of the supplies required [...]”<sup>219</sup>

Watson recruited another major ally in the 1870s, Louis Sutherland (Figure 3.4), who brought a large influx of capital into the business further insulating it from the ravages of the depression. His father, William, was a prominent physician within the ranks of the Montreal bourgeoisie. A long-time Professor and Chair of Chemistry at McGill University, William Sutherland was

highly respected, and looked up to by his junior *confrères*. His opinions on subjects of a medico-political aspect were broad and liberal. In private life he was esteemed highly ; his manner, though firm, was kind, and his punctuality and attention to the business of his profession enabled him in the decline of life to enjoy that quest and solace of opulence which is not usually accorded to the medical practitioner.<sup>220</sup>

Sutherland’s considerable fortune was not built from his salary at McGill, but rather from investments in real estate.<sup>221</sup> He was also an early investor in Montreal Rolling Mills, purchasing

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<sup>217</sup> Entry for 26 January 1876. *Stelco*, “Montreal Rolling Mills Minute Books” series, Vol. 101, File 1, “Minute Book 1868-1889.”

<sup>218</sup> “Iron and Hardware,” *Montreal Herald and Daily Commercial Gazette*, 10 March 1876, 2.

<sup>219</sup> Entries for 26 January 1876, 31 July 1877, and 28 December 1879. *Stelco*, “Montreal Rolling Mills Minute Books” series, Vol. 101, File 1, “Minute Book 1868-1889.”

<sup>220</sup> “The Late William Sutherland, M. D., Emeritus Professor of Chemistry, McGill University,” *Canada Medical and Surgical Journal*, ed. George E. Fenwick, vol. III (1875), 377-380.

<sup>221</sup> Bettina Bradbury, *Wife to Widow: Lives, Laws, and Politics in Nineteenth-Century Montreal* (Vancouver: UBC Press, 2011), 105.



*Figure 3.4 : Louis Sutherland in 1880.*  
McCord Museum, II-56201.1.

shares from Thomas Reynolds and Morland, Watson & Co in March 1871.<sup>222</sup> Investments like stock and real estate were typically used by professionals to provide income for when they were no longer capable of working, as well as to leave an estate for their widows and children.<sup>223</sup>

When William Sutherland died of lung disease on 9 February 1875, he was survived by his widow Catherine and son Louis, the only one of their three children still alive. It had been a long illness, and he had had ample time to plan for his family's future. As Bettina Bradbury shows, "Sutherland was clearly a man with an intimate knowledge of his own stocks, other investments, and real estate [...] Dr. Sutherland kept thinking of new ways he would like to use his property

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<sup>222</sup> "Montreal Rolling Mills Stock Ledger," Vol. 432.

<sup>223</sup> Bradbury, *Wife to Widow*, 105.

and imagining different needs Catherine might have as a widow.”<sup>224</sup> He was certainly also thinking of what his only surviving son was going to do after he was gone. A few months before his death, in January 1875, the 25 year old Louis was brought in by Charles Watson and James Rose as a third partner in Morland, Watson & Co., still the main force behind Montreal Rolling Mills.<sup>225</sup> There was clearly a close relationship between William Sutherland and Morland’s old firm. Sutherland was Morland’s physician and had accompanied Watson to Ottawa when Morland was on his deathbed. Morland also had close ties with the broader medical community, which as we have seen were important enough that a wing of the Montreal General Hospital was posthumously named after him. At the same time, Louis purchased 25 shares of Montreal Rolling Mills stock from Morland, Watson & Co.<sup>226</sup> When William Sutherland died two months later it was with the knowledge that his widow was well taken care of and his son having a bright future working with a reputable firm. Louis and Charles Watson were assigned as executors of his substantial estate.<sup>227</sup>

The arrival of Louis Sutherland as partner did much to further stabilize Morland, Watson & Co.’s standing in Montreal bourgeois society during the continued disruptions of the depression. According to credit reports, “Louis Sutherland recently admitted, is a young man, fully with them in the ‘Rolling’ Mills – he is heir to ab[out] [\$]300[000] by death of his father + is the only child he puts ‘into’ the firm [\$]80[000].” This was important as the firm “have had their share of losses + shrinkage during the depression” and had “considerable [capital] locked up in various ways.”<sup>228</sup> A large part of this locked up capital was in Montreal Rolling Mills – indeed, after

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<sup>224</sup> *Ibid.*, 162.

<sup>225</sup> “NOTICE,” *Montreal Herald and Daily Commercial Gazette*, 6 January 1875, 2.

<sup>226</sup> *Stelco*, “Montreal Rolling Mills Share Transfer Books” series, Vol. 104, Files 1-3; “Montreal Rolling Mills Stock Ledger,” Vol. 432.

<sup>227</sup> Bradbury, *Wife to Widow*, 10, 162, 191, 220

<sup>228</sup> *Dun*, 109.

selling 25 shares to Louis in January 1875, the firm held 1519 of Montreal Rolling Mills' 5000 shares, almost one-third of the total.<sup>229</sup> Morland, Watson & Co.'s good standing, now guaranteed with the fresh infusion of cash from Louis Sutherland's inheritance, contributed to Montreal Rolling Mills being seen as a good investment.

When discussing the company's success in this period it is worth asking: "compared to what?" This question is hard to answer considering that its competitors were private partnerships whose records did not survive. We do know from regular reporting in the *Montreal Herald*, the paper of record for the city's mercantile class, that the hardware trade was particularly hard hit by the depression. But if we are looking to compare like with like, the case of James Domville's Coldbrook Rolling Mills Company in Nova Scotia gives us a good idea of how reputational capitalism could make the difference between success and bankruptcy. Like Montreal Rolling Mills, Coldbrook Rolling Mills was formed as a joint-stock corporation and produced hardware, mainly for the building trades. But Coldbrook Rolling Mills went bankrupt in 1880, just as the Depression was lifting. According to T.W. Acheson, the reason the company went under was because Domville and the company's other directors "came to rely so heavily on small community banks for perpetual loans for operating expenses that any general economic crisis toppled both the industries and the banks simultaneously."<sup>230</sup> Domville had reached the limit of what he could borrow to stay in business, and when he failed, he almost took the Maritime Bank of St. John down with him.<sup>231</sup> Montreal Rolling Mills never had this problem. Because of the immense wealth of the bourgeois Montrealers that formed its directors and stockholders it never

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<sup>229</sup> *Stelco*, "Montreal Rolling Mills Share Transfer Books" series, Vol. 104, Files 1-3; "Montreal Rolling Mills Stock Ledger," Vol. 432.

<sup>230</sup> T. W. Acheson, "The National Policy and the Industrialization of the Maritimes, 1880-1910," *Acadiensis* vol. 1 no. 2 (Spring 1972), 12; Peter J. Mitham, "Domville, James," *Dictionary of Canadian Biography* vol. 15 (2005).

<sup>231</sup> Acheson, "National Policy," 12.

needed to borrow to cover operating expenses. And even if they did, the Bank of Montreal, their most important ally, was good for any amount.

### *Conclusion: A Brighter Future*

If the year 1873 heralded an epochal disaster for bourgeois Montrealers, who had to contend with a terrible economic crisis and the return of the Liberals to power, 1879 gave hope for a much brighter future for Canada's richest and most powerful group. Alexander Mackenzie and his free traders had been chased away by a reinvigorated Conservative Party as ever dominated by Montreal interests and now firmly committed to protective tariffs. The economy had also finally turned around, and the Dominion would enter the 1880s having overcome the "general depression in trade." Montreal Rolling Mills was well placed to thrive in this new era, having weathered the crisis of the 1870s much better than many of its competitors. Its success can largely be explained by its efforts to maintain at least some form of protection for its manufactures, but perhaps more importantly by the power of its stockholders and its close relationship with the Bank of Montreal. The hardware company on the banks of the Lachine Canal remained a creature of the city's Anglo-Protestant elite and benefited from being a part of these networks.

In the dying days of the tumultuous 1870s, Charles Watson and Louis Sutherland announced the dissolution of Morland, Watson & Co., which even after Thomas Morland's death at the start of the decade had been the driving force and most important stockholder of Montreal Rolling Mills.<sup>232</sup> The company, started by Morland to supply his wholesaling business, had outgrown the early mix of private partnership and joint-stock corporation to become a more formally

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<sup>232</sup> "Dissolution of Partnership," *Montreal Herald and Daily Commercial Gazette*, 27 December 1879, 2.

integrated firm. When Watson returned to Ottawa to continue fighting for preferential tariffs, he would do so exclusively as president and managing director of a single increasingly integrated hardware firm.

## CHAPTER IV

*“Our business has been particularly selected for slaughter”*

### Tariffs and Tribulations in Macdonaldian Canada

Charles Watson was livid. The previous day, 14 March 1879, the minister of finance had presented the new tariff schedule which would form the core of the Conservative Party's National Policy. Watson had spent weeks organizing the campaign to get preferential duties from Leonard Tilley. But when the schedule came out, he realized it was all for nought – indeed, the “Londonderry people,” representing Nova Scotian primary iron producers, had come out ahead. Puddled bars, what Watson insisted were the “raw material” of the rolling mills, would be subject to 17½ per cent import duties. Writing to James Domville, whose Coldbrook Rolling Mills Company would fail the next year, Watson complained that Tilley “has made a ‘dead set’ at our business.” The new tariff would remove any advantage that the rolling mills had. “What do you propose we do? What can be done?” he asked Domville.<sup>233</sup> Later that day he wrote to another ally, Matthew Hamilton Gault, MP for Montreal-West and managing director of Sun Life Insurance, resigned that “our business has been particularly selected for slaughter by Mr. Tilley.”<sup>234</sup>

When the Conservatives returned to power in 1878, they made protection permanent with their National Policy. Under Tory rule the main mechanism for governing was not the state, but the party. After 1879 tariffs were no longer debated in the realm of public politics as had been the case under the Liberals but were instead privately managed through the instrument of the

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<sup>233</sup> Letter from Charles Watson to James Domville, 15 March 1879. *Stelco*. Vol. 28, File 1, “Montreal Rolling Mills Letter Book, May 79 - 1894.”

<sup>234</sup> Letter from Charles Watson to Matthew Hamilton Gault, 15 March 1879.” *Ibid*.

Conservative Party. Bourgeois Montrealers like Watson benefited from intimate clientelist networks with the Tories that they could use to lobby for preferential modifications to the tariff, both directly to the minister of finance and through allies. Furthermore, the company's lobbying shows how the language of protection shifted after 1879. No longer needing to make the case for the necessity of protection, their demands narrowed into limited requests for minor tweaks to the existing tariff schedule. But these minor modifications were still presented as a matter of life and death, as the correct tariff for a particular corporation at a particular time was seen as an existential question for both the company and the Dominion as a whole.

As Alexander Tilloch Galt had promised, Confederation empowered bourgeois Montrealers and granted them significant protections. In the 1880s, the combination of an economic recovery and the return to Tory rule certainly seemed to herald a profitable future and the consolidation of their power within the Dominion. But the decade instead showed continued threats to their pre-eminence. This chapter will discuss intersecting challenges to bourgeois Montrealers' wealth. The first challenge came from Nova Scotian industrialists who fought hard for tariff protection on primary iron commodities like the puddled bars that Montreal Rolling Mills used to roll into nail plate. Company directors realized to their dismay that they were not the only ones who could benefit from personal relationships to the Conservative Party. Although thanks to the influence of its stockholders the company usually got its way, there were times when it did not. Another challenge came from women asserting their claims to property. Not every individual within the corporation was a Charles Watson, or even less an Andrew Allan or George Stephen. Many had only impersonal relationships with the corporation, especially women who had a trusted male relative or family friend to handle their investments for them. Women nonetheless began to take a more active role and began to shift from holding stock in trusts to in person, where they were



harder to ignore. Legal protections, although limited, could also allow women to assert themselves in the republic of stockholders. Finally, the city remained a potential threat to property, but here Montreal Rolling Mills was best able to fend them off due to its influence in the small industrial suburb of Sainte Cunégonde.

### *The Londonderry People*

When the Tories returned to power, they immediately began work on their central campaign promise, the National Policy. As always, bourgeois Montrealers were intimately connected to the Conservative Party, with the Tories dependent on a constant influx of money to run sometimes astronomically expensive elections. Bourgeois Montrealers surely expected to get their money's worth as the new tariff schedule began to be drawn up. Liberal tariff-making depended on public consultations and data – they had to show that if there was to be protections it was because there was no choice. Under the Conservatives tariff-making was privatized, and at best was an impartial balancing of interests, at worse just another way to distribute patronage. As soon as the new parliament was seated, Charles Watson went to work. Montreal Rolling Mills had several important allies in the new administration. The most important was the old protectionist stalwart James Domville, who was safely returned to his seat for King's, and they could also count on Matthew Hamilton Gault, MP for Montreal West, and Thomas White, MP for Cardwell, Ontario, and owner of the conservative newspaper *The Gazette* (Figure 4.1).<sup>235</sup>

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<sup>235</sup> Letters from Charles Watson to Matthew Hamilton Gault (13 January 1879), Watson to James Domville (26 February 1879), *Stelco*, Vol. 28, File 1, "Montreal Rolling Mills Letter Book, May 79 - 1894." André Beaulieu and Jean Hamelin, *Les Journaux du Québec de 1764 à 1964* (Québec: Presses de l'Université Laval, 1965), 94-96.



**Figure 4.1: Friends in High Places: James Domville, Matthew Hamilton Gault, and Thomas White**

Source: Library and Archives Canada, MIKAN 3214977, Notman Collection, McCord Museum, II-59791.1, Notman Collection, McCord Museum, I-64412.1.

During the months leading up to the adoption of the National Policy, Montreal Rolling Mills and its allies fought relentlessly against what Watson called “the Londonderry people.”<sup>236</sup> These were representatives of the Canada Steel Company of Londonderry, Nova Scotia, who had been hemorrhaging money and demanded protection for what they considered “raw” iron products, including puddled iron bars, which were used for rolling nail plate by companies like Watson’s and Domville’s. In 1868, while Thomas Morland was attacked by his competitors for his company’s close relationship with the minister of finance, the bourgeois Montrealer John Rose, John A. Macdonald sought to placate opposition in New Brunswick and Nova Scotia by offering Joseph Howe a cabinet position and what amounted to a veto, ensuring that the Maritimes would also benefit from Tory clientelism. When Macdonald returned to power, he reestablished the terms of his deal with Howe, and the Maritimes would continue to be well represented in the government. Most notably, Macdonald consistently entrusted Maritimers to the finance portfolio,

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<sup>236</sup> Letter from Charles Watson to Thomas White, 21 January 1879. *Ibid.*

including the New Brunswicker, Leonard Tilley.<sup>237</sup> Charles Watson was being heard, but so were others.

In February and March 1879, Watson sent a flurry of letters to Tilley making the case for a duty on puddled bar of no more than \$1 per ton, while organizing meetings for allies to visit the finance minister to make the case in person. In this he was supported by other members of the nail manufacturers' combination, notably Peck, Benny & Co. and Pillow, Hersey & Co., operators of the city's other two rolling mills. Watson argued, both in direct letters and through Gault, Domville, White, and his secretary William McMaster, who had been sent to Ottawa to lobby in person, that puddled bars were not finished products, but rather the "raw material" of the rolling mills. Putting bars at the same duty as nail plate therefore provided no protection at all for hardware manufacturers. Further, Watson had already tried to purchase bar from Londonderry "but they could not or would not supply us." By the end of February, knowing that the final decisions regarding the tariff were coming soon, Watson sent a letter to Domville, asking him to see Tilley "as soon as possible and urge upon him [...] the hardship to the Rolling Mill proprietors [...] unless an unmistakeable difference is made between the duty impressed upon Puddled Bars and 'finished Iron' [...]" and if necessary, "Mr. [Randolph] Hersey and our Sec[retary] would go to Ottawa to join you." Even two days before the budget was set to be tabled, Watson was still imploring Domville to keep up the pressure on Tilley and remind the Minister of Finance of the "justice" of their cause. But in the end, as we have seen, Watson and his allies failed to convince Tilley, and the duty on bar was set at a disadvantageous 17½ per

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<sup>237</sup> Heaman, *Tax, Order, and Good Government*, 84.

cent.<sup>238</sup> As the *Montreal Herald* reported, “neither the rolling mills people nor the hardware people are satisfied with the result of their visit to the Finance Minister.”<sup>239</sup>

The National Policy was not only designed to be permanent, but also reviewed and adjusted every year as part of the budget. Like clockwork, at the start of every winter parliamentary session, businessmen began to write endless letters to Ottawa to attempt to win changes in their favour or block modifications they found detrimental. The language of tariff politics remained for the most part consistent with prior protectionist arguments, but with a major difference. There was now far less emphasis on economic nationalism, a reflection of the fact that tariff-making was no longer decided in the public political arena. As the case of Montreal Rolling Mills illustrates, businessmen still complained incessantly about foreign competitors being unfair and threatened to throw workers on the street if they did not get their way, but with no need to make a case for protection, much like in early 1879, the language narrowed into very specific definitional arguments about such minutiae as what a “raw material” was.

In the early 1880s Montreal Rolling Mills expanded into the manufacture of lead pipe, and therefore pig lead joined with puddled bars as its primary inputs. The company already operated a lead factory, mainly used for making paint, but the expansion into pipe was a major investment. Although complaints about the duties on bar and the ever-present threat of the “Londonderry people” did not disappear, it was the tariffs on lead and tubing that occupied the company for most of the decade. As usual, one of the main problems was unfair foreign competition. According to Watson, if the duty on tubing was lowered, it would only benefit “the interest of some American manufacturers and Agents, who are naturally averse to see tubing

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<sup>238</sup> Letters from Charles Watson to Matthew Hamilton Gault, 13 January 1879, Watson to James Domville, 26 February 1879, Watson to Leonard Tilley, 24 February 1879, Watson to Domville, 26 February 1879, Watson to Domville, 12 March 1879, and Watson to Domville, 15 March 1879. *Ibid.*

<sup>239</sup> *Montreal Herald*, 20 March 1879, 2.

made here.” But with regards to Montreal Rolling Mills’ new pipe venture, the British proved to be as redoubtable enemies as the Americans. By February 1884, Watson went as far as to say that they needed protection to defend themselves from the “animus” of British pipe manufacturers, and that his secretary “overheard a statement the other day, made by a representative of one of them, that they were determined to stop us manufacturing and were doing everything in their power with that end in view.” As always, there was little consistency with regards to bourgeois Montrealers’ complaints of other countries not playing fair. In 1895, William McMaster, then managing director, made efforts to liquidate carton tacks in England, telling a close contact in London that he “would rather reduce the price and export them than sell them at a low price in this [Canadian] market.”<sup>240</sup>

As early as February 1881, Watson was already threatening to close the lead works if the tariff on pig lead was increased, going so far as to send Tilley a letter to that effect signed by Hugh and Andrew Allan. In a letter to the minister finance on 14 November 1883, Watson reiterated that if the company did not obtain the tariff schedule it needed, it would have no choice but to “give up manufacture rather than to continue it under such adverse circumstances.” Later, in 1885, he would be even more explicit, threatening that if the tariff on pipe was not increased to 30 per cent the people working in his factory “will be thrown out of employment.” Of course, in those moments that the company wanted the tariff to stay the same, a more positive spin could be emphasized, as the company argued that in 1889 the present tariff “gives employment to a larger of number of operatives, without increasing to any extent the cost of manufacture to the

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<sup>240</sup> Letters from Charles Watson to Leonard Tilley, 26 February 1881, Watson to Tilley, 27 February 1884, William McMaster to Harrison Watson, 11 January 1895. *Stelco*, Vol. 28, File 1, “Montreal Rolling Mills Letter Book, May 79 - 1894.”

consumers in this country, it will be of interest to your Government to know of the satisfactory working of the present tariff.”<sup>241</sup>

Due to the nature of the three-tiered tariff, many of the specific demands made by Montreal Rolling Mills were narrowly definitional. Throughout the 1880s, the company continued to insist as it had in 1879 that puddled bars should be classified as a “raw material” and should thus be entered on either the free list or at a low duty, and it is notable that by 1887 Watson and McMaster, the latter taking on increasing duties after 1885 as Watson dealt with health problems, had largely won their argument, and were satisfied with the schedule. After that, their main demand was that the tariff not be changed, and if the duty was raised on bar, “then corresponding higher duties will have to be placed on all the articles made out of” it, mainly the nail plate that was rolled at the company’s works. As the company expanded into the lead and iron pipe business, McMaster also had to argue with the minister of customs about companies exploiting the lower duty on pipe used for oil wells to buy from the Americans and then use the pipe in non-oil related ventures. Oil companies in Petrolia, Ontario, were also exploiting this to buy cheap pipe and then sell it to other businessmen who were not bound to use it for wells. McMaster continuously demanded that the government do more to restrict sales of low-duty pipe to the oil industry, even calling out by name some merchants, G. F. Stephens and Robert Martin of Chatham, Ontario, to the minister of customs.<sup>242</sup>

During the intense lobbying that led to the National Policy, Watson argued several times that the problem was that Tilley did not understand the problem the rolling mills faced, and after

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<sup>241</sup> Letters from Charles Watson to Leonard Tilley, 21 February 1881, Watson to Leonard Tilley, 14 November 1883, Watson to Tilley, 10 March 1885, William McMaster to George Foster, 23 December 1889. *Ibid.*

<sup>242</sup> Letters from William McMaster to Charles Tupper, 20 April 1887, from McMaster to Tupper, 21 April 1887, McMaster to Mackenzie Bowell, 5 January 1891, and McMaster to Bowell, 3 July 1891. *Ibid.*

sending all the proof he could, concluded that he had “made a 'dead set' at our business.”<sup>243</sup> But in truth, this was not representative of either a lack of understanding of the issues – Tilley spent so many long nights working on his tariff that he developed eye trouble – nor indeed of malice. Tariff-making under the Conservatives differed in some significant ways from the Liberals’ approach, besides the obvious point that it was explicitly designed for effective protection. Liberal finance ministers created complex schedules where every commodity was evaluated separately and with the objective of maximizing revenue while limiting the cost to Canadian consumers. The Conservatives, as they had promised, adopted a tiered tariff, whereby raw materials entered at low tariff or free, with increasing protection the more the commodity was transformed. Like Cartwright, Tilley sought out accurate information from businessmen about appropriate tariff levels and sent out questionnaires and pored over petition after petition from interest groups.<sup>244</sup> But under the Conservatives tariff-making was a far less public affair. There would not be an equivalent of the 1874 Select Committee, which called witnesses and reported to the legislature, under the Conservatives. Cartwright had been intensely suspicious of the self-serving arguments of businessmen, and, as we have seen, even protectionist Liberals interrogated and cross-examined witnesses to try to uncover an objective truth that could underpin their tariff schedules. But Conservatives simply asked businessmen what they wanted; after all, who knew better about business than them?<sup>245</sup>

Conservative finance and customs ministers took information seriously, or at least let businessmen believe that they could be persuaded by detailed calculations and charts. Almost all

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<sup>243</sup> Letter from Charles Watson to James Domville, 15 March 1879. *Ibid.*

<sup>244</sup> Forster, *A Conjunction of Interests*, 190-91, 199.

<sup>245</sup> Heaman, *Tax, Order, and Good Government*, 140. Heaman also notes that data could be dangerous, as it was obvious that protection was largely a tax on consumers for the benefit of manufacturers. It was in the interests of both the manufacturers fleecing consumers and the politicians who allowed said fleecing that there was not any hard evidence on the subject (147).

the letters sent from Montreal Rolling Mills to Ottawa during the long Tory reign contained some specific argument as to why a particular specific or *ad valorem* rate was demonstrably correct. Sometimes further proof was necessary – when McMaster wanted to show to Mackenzie Bowell, then minister of customs, that the type of wire that Montreal Rolling Mills made was not supposed to be subject to duty, he shipped him a sample so he could see for himself. Tory ministers were hardly shy about asking for clarifications when they felt it was necessary. One common argument Watson and McMaster would use to argue for protection was freight rates, which factored into their production costs. In an effort to understand, Tilley wrote to Watson asking if he could “give one the percentage on cost that freight and shipping charges bear to the first cost in Liverpool?” In response, Watson sent him a detailed set of calculations.<sup>246</sup> Although decisions were made through the party and not in public, the Macdonaldian party was intended to be an impartial mechanism to adjudicate competing claims.<sup>247</sup>

Ben Forster argues that too much has been made about Conservative private patronage. In his view, public lobbying by formal associations like the Dominion Board of Trade were more important than private networks. As he points out, “the tariff was not a sufficiently precise instrument to effectively discriminate between friends and political foes – especially when so many friends wanted conflicting things.” To illustrate his point, he cites the example how Hugh Allan failed to convince the government to admit pig iron for free, while at the same time George Stephen, a major shareholder of the Canada Steel Company in Londonderry, could also not get Tilley to adopt the company’s preferred specific duty of \$4 per ton, the minister of finance splitting the difference at \$2.<sup>248</sup> Of course, Hugh Allan and George Stephen, besides being highly

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<sup>246</sup> Letters from William McMaster to Mackenzie Bowell, 2 April 1886, from Charles Watson to Leonard Tilley, 27 November 1882. *Stelco*, Vol. 28, File 1, “Montreal Rolling Mills Letter Book, May 79 - 1894.”

<sup>247</sup> See Heaman, *Civilization*, 385.

<sup>248</sup> Forster, *A Conjunction of Interests*, 191-92.



influential Conservatives, were also both major stockholders of Montreal Rolling Mills, which for its part was lobbying for low tariffs on puddled iron bars but was more circumspect with regards to pig. While Stephen represented Londonderry, he demanded a high rate on pig and bar. However, he stood to benefit immensely from his Montreal Rolling Mills investment if the rate on bar was low. There was no sign that he ever instructed Watson to ease up on his fight against Londonderry. There was also no contradiction. For company directors and stockholders, the right tariff schedule was always what was best for their particular corporation at that particular time.

The advent of permanent tariffs under Conservative rule changed the language of tariff politics to de-emphasize appeals to economic nationalism and increased the importance of the already strong personal political networks with the true source of power in Macdonaldian Canada, the Conservative Party. The language of economic nationalism did not disappear completely of course, for example when McMaster and several members of the rolling mill combination wrote a letter to Tupper in 1887, they started by reaffirming their support for the National Policy which had “proven beneficial to the wants of the Country, and generally of the Industries of the same.”<sup>249</sup> Of course they meant it was beneficial for Montreal and their own industries. Their lobbying for low tariff rates on things like puddled bars was at least partially responsible for other regions lagging behind. Nova Scotians who sought regional industrialization based on the development of primary resource extraction had some success in the 1880s, as Saint John outpaced even Hamilton, the poster child of the new post-depression manufacturing centers. But they faced powerful foes, and at the same time as Nova Scotia was asserting its interests as part of Tory clientelist networks, bourgeois Montrealers were beginning to move eastwards and consolidate their control of the Dominion’s economy. As T.W. Acheson

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<sup>249</sup> Letter from William McMaster to Charles Tupper, 20 April 1887. *Ibid.*

points out, “the entry of Montreal interests into the manufacturing life of the Maritimes aimed to restrict output and limit expansion.” Although bourgeois Nova Scotians held their own against the metropole through most of the 1880s, “[l]acking the resources to survive the prolonged economic recessions of the period, and without a strong regional metropolis, they acquiesced in the 1890’s to the industrial leadership of the Montreal business community.”<sup>250</sup>

Meanwhile, the Liberals and their free trader allies conducted a valiant resistance, but the National Policy was popular, and the more positive economic headwinds of the 1880s surely buoyed it even further. The Conservatives would also continue to benefit from the deep pockets of bourgeois Montrealers – George Drummond for example contacted Montreal Rolling Mills in November 1886 to get them on board a new Manufacturers’ Association whose only objective was to ensure the re-election of the Tories. Drummond wanted the manufacturers to spend “liberally,” and they intended to print pamphlets and books “not in their thousands but in their tens of thousands” to educate the masses of the benefits of protection.<sup>251</sup> Meanwhile, the Montreal-based Canadian Pacific Railway under its president George Stephen was estimated to have donated over a million dollars in the 1880s, an astronomical sum for the time.<sup>252</sup>

Tariff politics in the 1880s centered around personal clientelist networks with the Tories, networks from which Montreal Rolling Mills was well placed to benefit. This did not mean that its directors always got what they wanted as a reward for their support of the party. Bourgeois Montrealers’ intricate web of stockownership meant that many of them had multiple loyalties to multiple corporations all vying for different, often minor, changes to the tariff schedule. They also faced a determined opposition from Nova Scotian manufacturers who sought protection to

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<sup>250</sup> Acheson, “Industrialization of the Maritimes,” 4, 15-16.

<sup>251</sup> Letter from William McMaster to Charles Watson, 30 November 1886. *Ibid.*

<sup>252</sup> Heaman, *Tax, Order, and Good Government*, 123-26.

develop their primary iron and coal resources. The Nova Scotians had some success in challenging bourgeois Montrealers, but other groups, especially women, did not always have the same capacity to assert themselves as effectively. Nevertheless, in the 1880s bourgeois women began to make themselves more visible and assert their claims to property against the patriarchal structures of the mid-Victorian corporation.

*A Stockholders' Republic II: Emily Sweeny v. The Bank of Montreal*

As the company's directors ramped up their battle for preferential tariff schedules in the National Policy era, Montreal Rolling Mills' increasingly dense web of stock was drawing more and more people into its orbit. A valuable stock was liquid, that is to say, it could be readily sold, ideally at a profit. However, control of stock could be more important than ownership. An increasing number of trusts were formed to purchase Montreal Rolling Mills stock, passing from 21 percent of stockholder accounts in 1870 to 31 percent in 1880.<sup>253</sup> Trusts made stockholding an impersonal affair adjudicated through a middleman. Ideally, "the trust enforced strong entity shielding, since the property held in trust could not be used to offset any personal debts of the trustee and could be subdivided into shares."<sup>254</sup> However, in practice, a trustee could often exploit the distance between the owner of a share and his own interests. In the 1880s, Emily Sweeny, who found that the man who served as trustee for her shares in Montreal Rolling Mills had defrauded her, had to fight all the way to the Judicial Committee of the Privy Council, the highest legal instance in the British Empire, to get her shares back.

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<sup>253</sup> *Stelco*, Vol. 104 File 1, "Montreal Rolling Mills Share Transfer Book, 1878-1881."

<sup>254</sup> Davoudi, McKenna, and Olegario, "Corporation in Society," 32.

Emily Sweeny was the daughter of Campbell Sweeny, who like his brother Robert was a lawyer by trade and described as “hot-blooded youths [who] got into serious scrapes.”<sup>255</sup> As a young man Campbell had been shot in the leg by accident and later participated in an “affair of honour,” that is to say a duel, out of which he emerged triumphant having shot off one of his opponent’s fingers. Robert, an accomplished poet and former cavalry officer, was also involved in an “affair of honour.”<sup>256</sup> In 1838, Robert Sweeny’s wife received a bouquet of flowers from Major Henry Warde, who claimed that it was meant for a “French-Canadian lady.” Regardless, an enraged Sweeny went to Warde and challenged him to a duel. The next morning, Sweeny, “whose aim was always unerring,” shot and killed Warde. He then fled to the United States and was indicted for murder *in absentia*. Absolved due to the absence of witnesses to the duel, he returned to Montreal but the incident “seemed to prey upon his spirits, and he is said to have died of melancholy over the sad event.”<sup>257</sup> Robert’s widow, Charlotte Temple, would remarry in 1843 to a young lawyer named John Rose.<sup>258</sup>

James Rose (Figure 4.2), John’s brother, was one of the partners of Morland, Watson & Co. and Thomas Morland’s long serving secretary. He was also the most prolific manager of Montreal Rolling Mills’ impersonally controlled stock, serving as trustee to multiple accounts while also representing individuals who did not participate in general assemblies. At his height in 1874-75, he was in trust of 415 shares (\$41,500) of stock. On 18 March 1871, the Sweeny family in Ireland sent £2,040 11s. 1d., through the Belfast bankers Crawford and Lockhart and then the

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<sup>255</sup> Rev. Robert Campbell, *A History of the Scotch Presbyterian Church, St. Gabriel Street Montreal* (Montreal: W. Drysdale & Co., 1887), 425.

<sup>256</sup> Stephen Banks, *A Polite Exchange of Bullets: The Duel and the English Gentleman 1750-1850* (Woodbridge: The Boydell Press, 2010), 97.

<sup>257</sup> Campbell, *A History of the Scotch Presbyterian Church*, 425-26.

<sup>258</sup> David M. L. Farr, “Rose, Sir John,” *DCB* Vol. 11 (1982); *Census of Canada*, 1881.



*Figure 4.2: A Still Solvent James Rose, 1876.*  
Source: Notman Collection, McCord Museum, II-43102.1.

Bank of Montreal, to Rose with instructions to invest in Montreal Rolling Mills stock in trust for Emily, who resided in Lachine, on the island of Montreal.<sup>259</sup>

On 4 April 1871, having received the funds from the Sweeny family in Ireland, James Rose, purchased four shares of Montreal Rolling Mills stock from John McDougall and two from Thomas Reynolds, three of those shares being held in trust for Sweeny.<sup>260</sup> For the rest of the 1870s, Rose forwarded half-yearly dividend payments to Sweeny, and, because the cheques kept coming, she had no idea that for half that time she did not in fact own her shares. In the summer

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<sup>259</sup> Canada. Supreme Court. Vol XIL. Dame Emily Sweeny et al. v. The Bank of Montreal; *Stelco*, Vol. 104 File 1, "Montreal Rolling Mills Share Transfer Book, 1878-1881."

<sup>260</sup> There is some inconsistency in the records about how many shares of Montreal Rolling Mills stock Emily Sweeny owned. The company's share transfer books clarify that it was three shares of \$1000 each, later adjusted to 30 shares of \$100 each.

of 1876, Rose was over \$30,000 in debt to the Bank of Montreal and was forced to transfer \$25,000 of company stock to the manager of the city's local branch, Wentworth Buchanan, as collateral security, including Emily Sweeny's shares. The agreement with the bank stipulated that the stock was to be held in trust as security, but that Rose would continue to collect the semi-annual dividend payments. Buchanan would transfer the payments to Rose, but unbeknownst to him, Rose would then send it to Sweeny so she would not suspect that the stock had been transferred. She would learn of the ruse in February 1880, when the Bank of Montreal stopped transferring the dividend and Rose was forced to write Sweeny to explain that she would not be receiving the money she was entitled to.<sup>261</sup>

When Emily Sweeny realized that the now insolvent Rose had sold her shares without her consent, she sued the Bank of Montreal to get them back. Both Québec's Superior Court and Court of Queen's Bench dismissed Sweeny's case, ruling that there was no formal evidence that a trust was formed, and Buchanan was legally allowed to take possession of the stock for the Bank of Montreal as he had every reason to believe that Rose had the authority to make the transfer. Sweeny therefore appealed to the Supreme Court of Canada, who heard the case in the first half of 1885. The Supreme Court decided in favour of Sweeny, arguing that according to the laws of Québec, Rose had no standing to transfer the shares to the Bank of Montreal, and that it was the bank's responsibility to ensure that Rose owned the shares before accepting them as security. The bank was ordered to return the shares to Sweeny.<sup>262</sup>

On 16 July 1885, Edward Clouston, one of the continent's most powerful bankers, went down to Montreal Rolling Mills' main office on St. Paul Street to sign over 30 shares of company stock

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<sup>261</sup> Canada. Supreme Court. Vol XIL. Dame Emily Sweeny et al. v. The Bank of Montreal; *Stelco*, Vol. 104 File 1, "Montreal Rolling Mills Share Transfer Book, 1878-1881."

<sup>262</sup> *Ibid.*

to an elderly spinster from Lachine. Emily Sweeny died a few months later, in December 1885, leaving the shares to her niece, Elizabeth Georgina Johnstone, who held them personally for the rest of the company's existence.<sup>263</sup> The Bank of Montreal however, perhaps fearful of the precedent Sweeny's long-fought victory would represent, appealed the case to the highest legal instance of the British Empire, the Judicial Committee of the Privy Council, which confirmed the Supreme Court's earlier judgement in 1887, almost two years after Sweeny's death.<sup>264</sup>

The ease in which a trustee like Rose could defraud the beneficiary whose best interests he was supposed to be concerned with shows the flaws of the trust. The case also offers a major clue as to who trust beneficiaries were, who actually owned the stock. When a trust was created, there was no legal obligation to declare who the beneficiary was, as the trustee had absolute control over the asset. This obfuscation of ownership was not obligatory but in the case of Montreal Rolling Mills it was almost universally practiced, with only a single of the 65 trust accounts opened between 1868 and 1900 indicating who the beneficiary was, that owned by Mary Jane Reid and in trust to Thomas Ritchie.<sup>265</sup> The second half of the nineteenth century witnessed a massive increase in the number of female stockholders in the British world, almost one third of stockholders being women by the first decade of the twentieth century.<sup>266</sup> Table 4.1 compares the percentage of Montreal Rolling Mills stock held by women and that held by trusts between the founding to the company and the end of the century. It shows that by the mid-1890s the number of female stockholders approaches the percentage that we should expect. However, before the last decade of the century the percentage was far lower than the British average of 15

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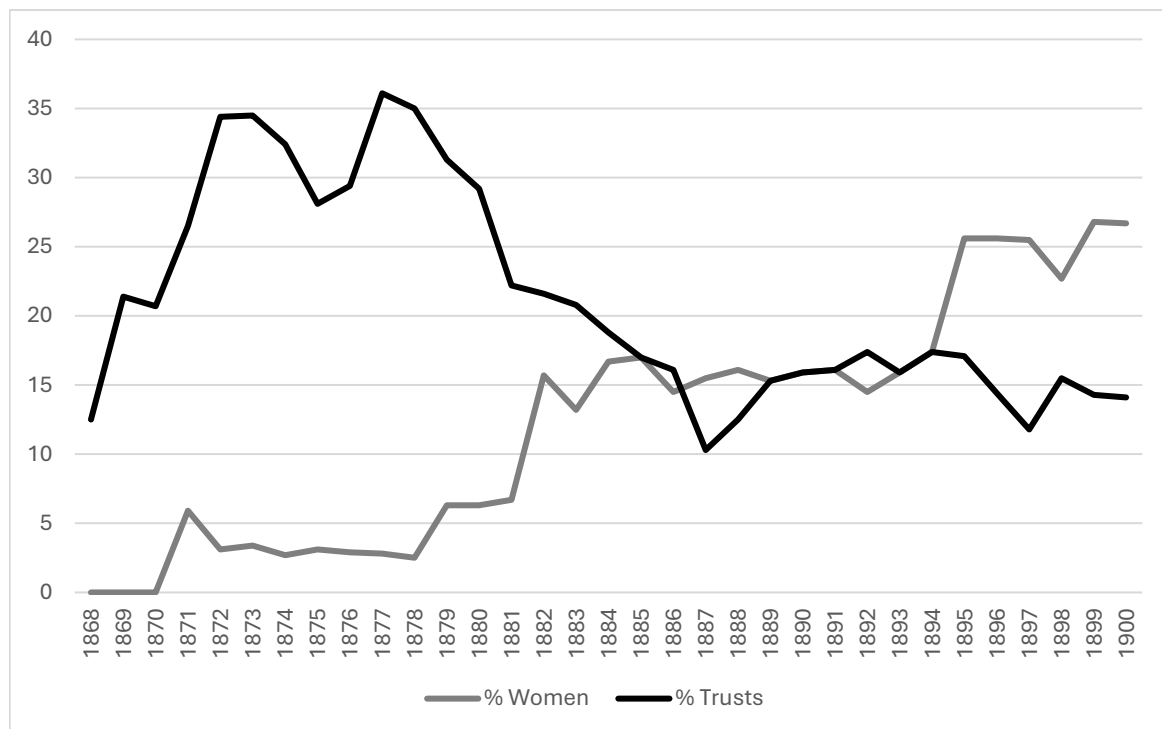
<sup>263</sup> *Ibid.*

<sup>264</sup> *The Railway and Corporation Law Journal: A Weekly Record of Current Corporation Law*, ed. Charles Fisk Beach Jr. (L. K. Strouse & Company, 1887), 290-293.

<sup>265</sup> See Chapter 3 for an explanation of my methodology.

<sup>266</sup> Janette Rutterford *et al.*, "Who comprised the nation the nation of shareholders? Gender and investment in Great Britain, c. 1870-1935," *Economic History Review* vol. 64 no. 1 (2011), 168-170.

**Table 4.1: Percentage of Montreal Rolling Mills Accounts Owned by Trusts Compared to Accounts Owned by Women.**



Source: Stelco, “Montreal Rolling Mills Share Transfer Books” series, Vol. 104, Files 1-3; “Montreal Rolling Mills Stock Ledger,” Vol. 432.

percent in the 1870s, 23.5 percent in the 1880s, and 25.3 percent in the 1890s. Rather, the decline in the percentage of accounts controlled by trusts closely correlates with the rise in those owned by women in their own names, suggesting that the low rate of female stockholding at Montreal Rolling Mills was not a case of women not owning stock, but rather that they typically owned it as part of a trust. Chapter 5 will explore female stockholding in much more detail, but for the purposes of the story of the company’s first two decades, it is crucial to remember that at no time was stockholding an exclusively male phenomenon, and bourgeois women entered the corporation at its very inception.



The trust's most important attribute was its ability to obfuscate wealth, a legacy of its earlier use as a way to avoid paying feudal dues.<sup>267</sup> The case of Emily Sweeny shows the inherent limitations of this type of arrangement. It is notable that Sweeny did not leave her shares to another trust, and after her death her niece also kept them in her own name. The trust obfuscated ownership but also control. Ideally, the trustee made decisions in the best interests of the beneficiary, but there was nothing stopping a desperate trustee like Rose to use the shares in any way he pleased. Emily Sweeny got her 30 shares back after five years of legal battles, battles that continued even after her death and reaching the highest judicial instance of the British Empire. But Rose had signed over 250 shares to the Bank of Montreal to secure his debt in 1876. It is highly unlikely that the other people whose shares he held in trust got their money back. Using a trust still made sense for children and estates, but for adult bourgeois men and women the existence of limited liability within the corporation provided excellent protection for their wealth with the added advantage of singular control over their property. For them the trust had outlived its usefulness.

Emily Sweeny was an early example of a woman for whom stockholding was not an abstract activity but something very tangible, an asset that to regain control of she felt it was worth taking on even the mighty Bank of Montreal. By the 1880s, the republic of stockholders was rapidly changing, as were the bourgeois Montrealers who made up its members. The re-valuation of stock in 1874, with share prices being reduced from \$1000 to \$100 each was a major part of this, making it easier for slightly less-wealthy men and women to own Montreal Rolling Mills stock. The rising number of small-scale stockholding was a major shift, as was the gradual decline in the number of trust accounts, as women like Sweeny began to own stock in their own names.

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<sup>267</sup> Harris, *Industrializing English Law*, 150.

This transition would have its casualties. During the Great Depression of the 1870s, Montreal Rolling Mills' relationship with the Bank of Montreal was crucial for its survival. The company depended on the reputation built by its close relationship with the city's *haute* bourgeoisie. How Montreal Rolling Mills handled threats to its reputation is instructive. In December 1879, when the Bank of Montreal took possession of the \$25,000 of Montreal Rolling Mills shares that Rose had used as collateral exposing his graft, Watson wasted no time severing ties with him. He was forced to sell his remaining shares in the company as Watson and Sutherland completed Morland, Watson & Co.'s liquidation.<sup>268</sup> On 8 January 1880, Watson reported to shareholders "certain facts that had come to his knowledge and that of the Secretary concerning some certificates issued to Mr. Rose a late stockholder. After discussion it was determined that it was not the duty of the Company to take any steps in the matter."<sup>269</sup> With that, James Rose's involvement with the company he helped build ended. Reputation was everything for bourgeois Montrealers and in a world of close relationships, ostracization could be a terrible sentence. James Rose had built himself up by leveraging his relationship to his brother John. This had certainly been the main consideration in Thomas Morland bringing him into his hardware firm, something well noted in the tariff debates of the late 1860s. It had also led him to being entrusted to take care of his brother's niece Emily, a relationship he exploited and that led to his downfall.

As Peter Baskerville has shown, women in Canada "were active participants in the affairs of capital [...] acted in a surprisingly public way, and they did so in the face of strong public notions prescribing the contrary." The cleavage between a male public sphere and a female private sphere therefore never conformed to reality, and the public and private needs to be seen

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<sup>268</sup> Canada. Supreme Court. Vol XIL. Dame Emily Sweeny et al. v. The Bank of Montreal; *Stelco*, Vol. 104 File 1, "Montreal Rolling Mills Share Transfer Book, 1878-1881."

<sup>269</sup> *Stelco*, "Montreal Rolling Mills Minute Books" series, volume 101, file 1, "Minute Book 1868-1889," entry for 8 January 1880.

as a continuum. This is not to say that women reached any kind “of parity with men in matters of finance and general economic endeavour. While the activity of some individual women surpassed in measurable ways the enterprise of some men, women on average fell short, often far short.” Nevertheless, Baskerville shows that women cannot be written out of the history of business in mid-Victorian Canada. Women were seeking greater protections, and the law could be sympathetic to them, especially in situations involving husbands who “by their abusive behaviour, fraudulent actions, or simply unsuccessful economic speculations” had imperiled the stability of the nuclear family.<sup>270</sup> Emily Sweeny dealt with a similar problem with an unscrupulous uncle and succeeded in asserting her claim to her property.

Emily Sweeny was one of many women who had their property controlled by what they thought were trustworthy male family members or friends, but by the end of the 1880s, this was becoming less and less necessary or desirable. Female stockholders began to move away from impersonal stockownership to holding shares in their own names, staking their claims on property in a way they had not done before. As Sweeny’s struggle to assert her property rights has shown, even though corporations had largely insulated the wealth of their stockholders from outside threats, there were occasions where individuals who did not benefit from the same protections, especially women who were themselves property owners, could challenge even the immense power of the Rose family and the Bank of Montreal.

### *Managing the City*

As always, in the 1880s bourgeois Montrealers faced threats to their wealth from multiple different jurisdictions. However, reading the company letter books gives a very different

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<sup>270</sup> Peter Baskerville, *A Silent Revolution? Gender and Wealth in English Canada, 1860-1930* (Montreal and Kingston: McGill-Queen’s University Press, 2008), 7-10.

impression. Almost all letters addressed to a level of government were sent to federal officials, with only a handful to the provincial government in Québec City. This reflects the basic structure of Confederation, where most matters that would be of interest to businessmen, especially tariffs, were under federal jurisdiction. Bourgeois Montrealers saw the federal government as the guarantor of their preeminent position in the Dominion, something Galt had promised and which he and the other Fathers of Confederation had delivered. Watson's ease at ignoring the province was by design.

The municipal government, due to its proximity, was much more difficult to ignore. Montreal Rolling Mills benefited from being situated within the small western suburb of Sainte Cunégonde rather than in Montreal proper.<sup>271</sup> There is no evidence that the company was located outside city limits as a strategy to avoid taxation, as was the case for many firms in the Boston area, for example.<sup>272</sup> Industrial suburbs like Sainte Cunégonde certainly developed strategies to attract investment, but subsidies and bonuses usually became important after a company had made the decision to locate their operations in a suburb. The locational advantages of a certain site were much more important.<sup>273</sup> Mansfield Holland's rolling mill, the company's central component when it was formed in 1868, was almost certainly localized due to its access to the Lachine Canal, and not because of any subsidies or tax relief from the city council of Sainte Cunégonde.

Although one of its largest employers, Montreal Rolling Mills' relationship with the town was not always friendly. In 1893, Edmond Massicotte, a member of Sainte Cunégonde's city council, wrote a history of the town. About the other main employer, Augustin Cantin's shipyard, he

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<sup>271</sup> For the island's bourgeois suburbs, see Harold Bérubé, *Des sociétés distinctes : gouverner les banlieues bourgeoises de Montréal, 1880-1939* (Montréal & Kingston : McGill-Queen's University Press, 2014).

<sup>272</sup> Maggor, *Brahmin Capitalism*, 58-59.

<sup>273</sup> Lewis, *Manufacturing Montreal*, 261.

wrote that at the town's beginning, "les chantiers de Cantin étaient dans une grande activité. La construction des navires et les réparations aux bâtiments qui avaient été avariés dans leurs courses, à travers nos fleuves et nos lacs, donnaient de l'ouvrage à un nombre considérable de travailleurs." He contrasted this with Montreal Rolling Mills: "Les laminoirs, situés dans le voisinage, commençaient à vomir leur noire fumée."<sup>274</sup>

The black smoke that billowed out of the company's smokestacks was not the primary source of friction between the town and the company, although in 1888, the municipal council did ask the company if it would be possible to build taller smokestacks to reduce the nuisance caused by their coal fired plants. There were other minor irritants as well; the company complained about the sidewalks around their works, while the city wanted Montreal Rolling Mills to stop barring access to Tracy Street. Of much more importance was the issue of water supply to the works. As early as 1879, Watson was voicing his displeasure at the prices he was paying for water and demanded that the town council petition the city of Montreal to get water for the mills at 20c per 1000 gallons, a motion that was unanimously adopted by the city council. When another fire damaged Montreal Rolling Mills in early 1883, Watson demanded that the city investigate what happened.<sup>275</sup> The company had paid for fire hydrants to be installed on its property, but it was intended that they be the responsibility of the municipality. In November 1883 the city finally passed a resolution officially taking over responsibility for the fire hydrants. In a letter to city council, Watson approved of this, but complained that "although we are one of the largest taxpayers in the municipality and are now paying a heavy water tax for a supply of water the

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<sup>274</sup> E. Z. Massicotte, *La cite de Sainte-Cunégonde de Montréal. Notes et Souvenirs* (Montreal: J. Stanley Houle, 1893), 12.

<sup>275</sup> Entries for 18 July 1888, 12 March 1897, 10 April 1879, 27 September 1888, 6 March 1883. Conseil municipal, Procès-verbaux. Archives de Montréal, P027-B-2-D002-P002, Fonds de la Ville de Sainte-Cunégonde 1877-1906.

quality of which is very indifferent, not one penny has been spent either by the Corporation [city] or the contractors to furnish such – all pipes and other appliances having been put in at our own expense.”<sup>276</sup>

The most common source of conflict, unsurprisingly, was taxes. In October 1885, Montreal Rolling Mills demanded a fixed tax rate for ten years. Although the city council initially refused the request, in December they reconsidered their position and offered the company a tax rate of \$600 per year for the next decade. This was based on an evaluation that the company’s property was worth \$116,000. Watson disputed the city’s evaluation, refused the tax rate, and boycotted paying taxes for the next two years. Legal action eventually forced his hand, and in September 1887 the company agreed to pay \$1200 in back taxes plus \$100 as contribution for the construction of a sewer on their property. As late as 1895 the city still struggled to establish a proper evaluation of the company’s value.<sup>277</sup> Montreal Rolling Mills was an extravagant display of wealth (Chapter 2), something that clearly clashed with their efforts of obfuscating the value of its properties from a hostile municipality. Because of the power the corporation created thought its immense concentration of wealth it could afford to shamelessly contradict itself. But the city, especially when supported by the law, could still be a danger.

The company’s relationship with Sainte Cunégonde showed that local politics remained a concern and even on occasions a threat to the wealth of bourgeois Montrealers. Even a small city could mount at least a limited challenge against a corporation like Montreal Rolling Mills. Here and elsewhere in North America, the mobility of capital significantly limited the capacity of

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<sup>276</sup> Letter from Charles Watson to the Mayor and Municipal Council of St. Cunégonde, P.Q., 1 November 1883. *Stelco*, Vol. 28, File 1, “Montreal Rolling Mills Letter Book, May 79 - 1894.” Entry for 17 November 1883. Conseil municipal, Procès-verbaux. Archives de Montréal, P027-B-2-D002-P002, Fonds de la Ville de Sainte-Cunégonde 1877-1906.

<sup>277</sup> Entries for 7 October 1885, 14 December 1885, 4 April 1886, 1 September 1886, and 14 September 1887. Conseil municipal, Procès-verbaux. Archives de Montréal, P027-B-2-D002-P002, Fonds de la Ville de Sainte-Cunégonde 1877-1906.

cities to tax corporations and their powerful stockholders.<sup>278</sup> Watson and later McMaster paid the local very little attention – again, almost all letters they sent to a level of government went to Ottawa, with only a handful destined to local city council, and even less to the province. Bourgeois Montrealers viewed their primary interests tied to the federal government, the guarantor of their rights and power.

*Conclusion: From the Merchant to the Manager*

The return of Conservative rule combined with relatively positive economic headwinds made the 1880s a profitable decade for Montreal Rolling Mills. Under the National Policy, the company's main focus, perhaps even more than making and selling hardware, was tariff politics. In his fight for preferential protection, Charles Watson benefited from his company's intimate ties to the party, which in Macdonaldian Canada was the primary instrument for decision making. But bourgeois Montrealers were not the only group to benefit from these personal relationships, and Montreal Rolling Mills was forced to fend off a strong challenge to its preeminent position by Nova Scotian primary iron manufacturers. Although Watson usually got his way, there were times at which he and the company's other directors came up short. Challenges also came from other directions. Not all members of the republic of stockholders were equal, and women struggled to benefit from the same protections that men like Charles Watson or James Rose took for granted. Emily Sweeny's long fight to win back her shares in the company was representative of a shift towards women asserting their property rights, leading to a rapid rise in them owning stock in their own names. Another challenge came from the city, where the municipal council of Sainte Cunégonde struggled to obtain accurate property values

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<sup>278</sup> See Maggor, *Brahmin Capitalism*, 178-203.

from the company for tax purposes. A corporation like Montreal Rolling Mills benefited from showing off its wealth via its powerful stockholders and directors, while at the same time hiding it from tax assessors.

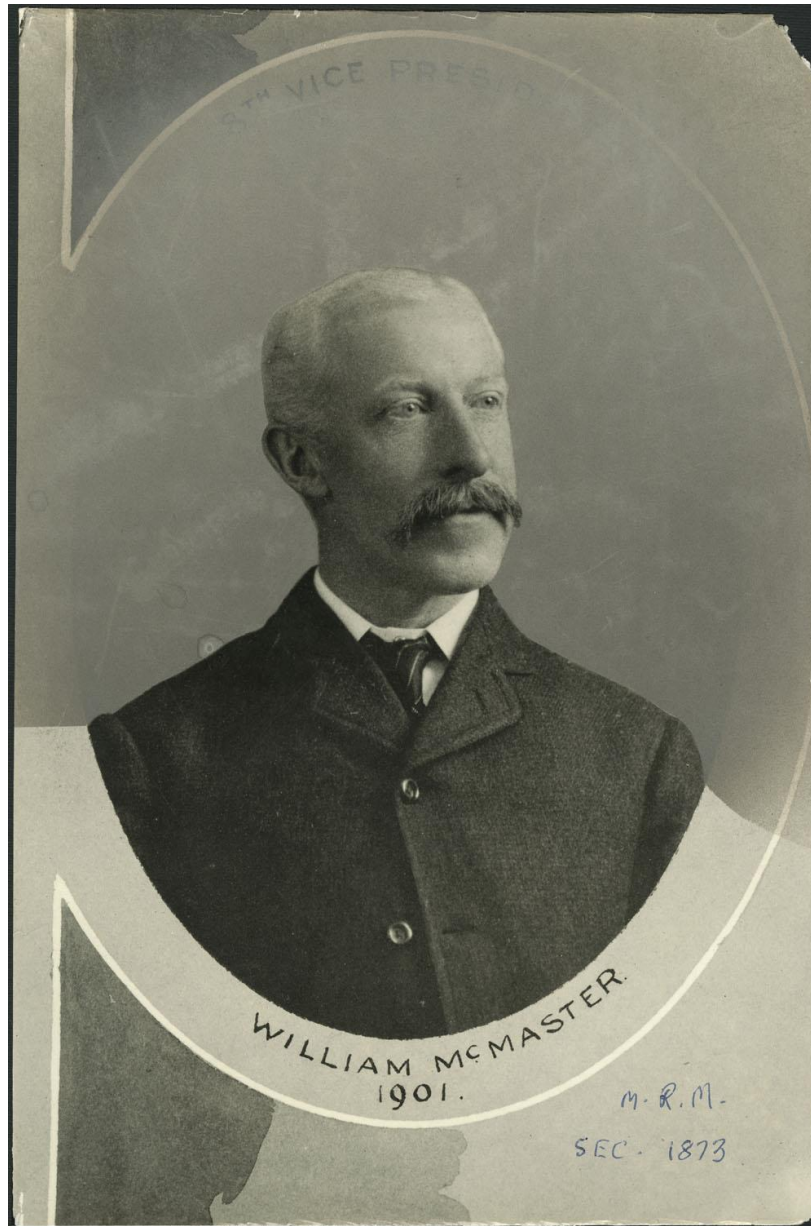
By the mid-1880s, Charles Watson began to transfer more and more responsibility for the management of Montreal Rolling Mills to William McMaster. Watson was most at home writing letters to Ottawa at the company's main office on Saint Paul Street than working in the smoke-choked factories on the Lachine Canal. McMaster was a new type of businessman, still focussed on tariff management but also understanding that the company's fortunes depended on more than just the duties on raw materials and the protection on finished products. Rather, the efficiency of the works, its throughput, was of capital importance. In 1888, Watson's health problems became serious enough that he decided to move to the United States, and McMaster was hired as salaried managing director. That same year, McMaster made the decision to move the company's headquarters from Saint Paul Street to the site of the works on Notre Dame.<sup>279</sup> Although he would never be made president, it would be under McMaster's management that Montreal Rolling Mills started to employ more modern management techniques, expand massively, and by the mid-1890s, overtake and then buy its competitors.

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<sup>279</sup> *Stelco*, "Montreal Rolling Mills Minute Books" series, volume 101, file 1, "Minute Book 1868-1889".



**ACT III:**  
**THE MANAGER**



***William McMaster (1851-1930)***

Source: *Stelco*, R15513-52-4-E, volume 274, "Portrait of William McMaster, 1901."

William McMaster Jr. was born in Montreal in June 1851.<sup>280</sup> Unlike Thomas Morland and Charles Watson, whom he would one day succeed as Managing Director of Montreal Rolling

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<sup>280</sup> *The Gazette*, 6 May 1930, 1.

Mills, he came from a rather modest background, the son of a cabinet maker who had immigrated from Scotland.<sup>281</sup> William Sr. was said to be honest, “of good cha[racter] & hab[its], [and] Sober [...] He is a fine fellow to talk to & we have never heard of any thing definite ag[ainst] him in any way” although it was noted that “He does not posses the confidence of the Community generally, People think he talks a little better than he acts. Is in good cr[edit] & deemed safe for the wants of his bus[iness], always slow.”<sup>282</sup> The family lived at 156 Notre-Dame, in what was then the city’s commercial core.<sup>283</sup>

William McMaster Jr. was educated at the Montreal Collegiate School and upon graduation was hired by Morland, Watson & Co. In 1873, he was transferred to the Montreal Rolling Mills head office to work as secretary. He rose quickly, becoming sales manager, secretary treasurer, superintendent, and on 23 December 1889 he succeeded Charles Watson as managing director.<sup>284</sup> He married Lucy Huntingdon Atwater Greene on 18 September 1877 at her father’s residence in Vergennes, Vermont. William E. Greene was a tailor and merchant, and like the McMasters the Greene family rose from modest origins to the summum of the business elite. Edward B. Greene, his grandson and McMaster’s nephew through marriage, became chairman of the Cleveland Trust Co. and in 1933, president of Cleveland-Cliffs Iron Co., one of the largest steelmakers in North America.<sup>285</sup>

After becoming managing director of Montreal Rolling Mills, McMaster integrated himself into the same bourgeois networks as his predecessors. He was appointed Life Governor for the Montreal General Hospital, where Thomas Morland’s portrait hung, as well as the Western

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<sup>281</sup> *Census of Canada*, 1871.

<sup>282</sup> *Dun*, 158.

<sup>283</sup> *Lovell*, 1850.

<sup>284</sup> *The Standard* (Montreal), 13 December 1913, 3; *Stelco*, “Montreal Rolling Mills Minute Books” series, volume 101, file 1, “Minute Book 1868-1889,” entries for 6 January 1873 and 23 December 1889.

<sup>285</sup> *1870 United States Federal Census*; *Time Magazine*, 4 September 1933.

Hospital, and he was also member of the Saint James, Mount Royal, and Royal Montreal Golf clubs.<sup>286</sup> He was heavily involved in trade associations, was appointed to the Council of Arts and Manufacturers of the Province of Québec, joined the Iron Merchants Association and the Montreal Metal and Hardware Manufacturers' and Merchants' Association, and was elected in 1899 to the Montreal Board of Trade.<sup>287</sup> Continuing his predecessors' imperial relationships, he became delegate to the Empire Chambers of Commerce Congress.<sup>288</sup>

McMaster was known to be "as strenuous a sportsman as he is a business man" without which he "would hardly now be preserving the slim figure, the upright carriage, and the physical poise and alertness that is his." As a young man he was a devoted lacrosse player, skater, and snowshoer. In a practically hagiographic profile in Montreal's *The Standard*, the writer says of McMaster's passion for riding, something he maintained even in his older years: "daily horse-back riding he has never given up; he finds it an irresistible recreation and an invaluable tonic." The article insisted that McMaster carried "the breeziness and heartiness of outdoor life into the office." In business he was a "born boss," having "the faculty of managing men, of getting the best out of them, and getting that because they gave it willingly." Exaggeration or not, McMaster was clearly a new type of businessman, his rise in the ranks of the city's bourgeoisie heralding the managerial revolution that was transforming North American capitalism. He is said to have believed "that the economical method, either in manufacture or distribution, is essentially the correct one," and saw in the "movement of large corporations a movement which fundamentally

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<sup>286</sup> *The Gazette*, 6 May 1930, 1.

<sup>287</sup> *Québec Gazette*, 20 May 1893, 1268; *The Gazette*, 6 May 1930, 1; *La Presse*, 8 January 1897, 2; *The Herald*, 27 January 1899, 5; *Le Soleil*, 1 February 1899, 4.

<sup>288</sup> *The Gazette*, 6 May 1930, 1.

is a sound one, since when fairly and properly directed, it makes for co-operation in economy and increased efficiency all round.”<sup>289</sup>

By the end of the first decade of the twentieth century, McMaster was eyeing retirement from active management of what had become the largest secondary iron and steel producer in Canada.<sup>290</sup> His considerable shares were bought out in the massive merger that would create The Steel Company of Canada, and McMaster ascended to the highest echelons of the Montreal bourgeoisie. Leaving the actual management of companies to his lessers, he entered the world of interlocking directorships that now characterized the epoch of the corporation nation.<sup>291</sup> By 1912, only two years after leaving management behind, he was director of the Amalgamated Asbestos Corporation, Allis-Chalmers-Bullock, the Canadian Bank of Commerce, the Consumers’ Cordage Company, the Dominion Coal Company, and Alex, McArthur and Company.<sup>292</sup> He was perhaps best known in this period as a leading figure in the Canadian explosives industry, becoming president of Canadian Explosives Limited. During the Great War, when a new major explosives factory was created in the Beloeil region, the company town erected around it was named McMasterville.<sup>293</sup>

In 1913, McMaster followed Charles Watson in reaching one of the most prestigious positions for a bourgeois Montrealer, becoming director of the Bank of Montreal.<sup>294</sup> He was also appointed chairman of the Board of Canadian Industries Ltd., which represented Canadian

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<sup>289</sup> *The Standard* (Montreal), 13 December 1913, 3. Sport was a crucial space for promoting bourgeois values in the nineteenth century. See Gillian Poulter, *Becoming Native in a Foreign Land: Sport, Visual Culture, & Identity in Montreal, 1840-85* (Vancouver: UBC Press, 2009).

<sup>290</sup> For a more detailed analysis of the Stelco merger, see Marchildon, *Profits and Politics*, 194-201.

<sup>291</sup> See Gilles Piédalue, “Les groupes financiers au Canada 1900-1930 : étude préliminaire,” *Revue d’histoire de l’Amérique française* 30:1 (1976), 3-34.

<sup>292</sup> William Robert Houston, *Directory of Directors in Canada, 1912* (Toronto: Houston’s Standard Publications, 1912), 161.

<sup>293</sup> *L’Oeil régional*, 11 November 1981, 19.

<sup>294</sup> *The Standard* (Montreal), 13 December 1913, 3

Explosives, Canadian Salt Company, Canadian Ammonia Company, and the Grasselli Chemical Company. As he grew older, he would gradually retire from his numerous directorships, although “his advice was keenly sought and freely given.”<sup>295</sup> In 1925 he was widowed when Lucy died, and in 1930 McMaster fell ill. He spent the winter in California with his son Arthur, but shortly after his return to Montreal that spring, he took a turn for the worse and was admitted to the Ross Memorial Pavilion of the Royal Victoria Hospital. He died there on 5 May. His funeral was attended by some of the most prominent bourgeois Montrealers, including Lord Atholstan, Sir Herbert Holt, Sir Charles Gordon, Sir William Stavert, and Walter Molson.<sup>296</sup> The day of his funeral he was eulogized in the pages of the *Montreal Gazette*: “His long life was one of constructive effort, and perhaps no one individual contributed more than did he to the industrial and financial advancement of Montreal, an advancement which has had its stimulating influence upon the Dominion as a whole. Sound and sure in finance, and unerring in his grasp of industrial and commercial conditions, Mr. McMaster built upon strong foundations. His death removes one of the commanding figures of Canadian industry, and he will be widely mourned; but his work lives after him.”<sup>297</sup>

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<sup>295</sup> *The Gazette*, 6 May 1930, 1.

<sup>296</sup> *La Patrie*, 8 May 1930, 3.

<sup>297</sup> *The Gazette*, 7 May 1930, 12.

## CHAPTER V

*“A business establishment must now be immense or nothing”*

### Expansion and Consolidation Before Merger Mania

In December 1900, William McMaster was asked by the Montreal *Daily Star* to write an article for their industrial edition about the state of the Montreal Rolling Mills’ works. After briefly touching upon the company’s founding, he quickly pivoted to describe how “the premises were at once extended,” reporting that

at the present time the Works (covering an area of eleven acres) consist of three Rolling Mills, comprising one 18” mill, one 12” mill, and one 9” mill; a Wire Mill for the manufacture of all kinds of iron, steel, brass, and copper wire; a Pipe Mill for the manufacture of gas, water, and steam pipe. This branch of their industry has been augmented by the recent addition of a new and complete Galvanizing Plant, and at the present time, they are the only manufacturers in the Dominion of Canada of Galvanized Pipe; a Horse Shoe Factory; Horse Nail Works; Tack Factory; and Wire Nail Factory, in which departments all kinds of tacks, brads, shoe nails, and wire nails and staples are produced; a Nail Factory making cut nails and spikes &c; Lead Works, where white lead, putty, &c is made, and a Shot Tower for the manufacture of all sizes of both Chilled and common shot.<sup>1</sup>

McMaster was right to boast about the impressive expansion that Montreal Rolling Mills had undergone since its founding in 1868, which had made it one of the most important industrial establishments in the Dominion (Figure 5.1). But this could certainly not be enough. Already in the 1870s James Parton famously said that “[a] business establishment must now be immense or nothing. It must absorb or be absorbed. It must either be a great, resistless maelstrom of business, drawing countless wrecks into its vortex, or it must be itself a wreck, and contribute its quota to the all-engulfing prosperity of a rival.”<sup>2</sup>

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<sup>1</sup> Article written for the Montreal Daily Star, 3 December 1900. *Stelco*, Vol. 31, File 1, “Montreal Rolling Mills Letter Book, 1899-1903.”

<sup>2</sup> James Parton, “George W. Childs,” in *Sketches of Men of Progress*, eds. James Parton et. al. (New York, 1870-71), 75.



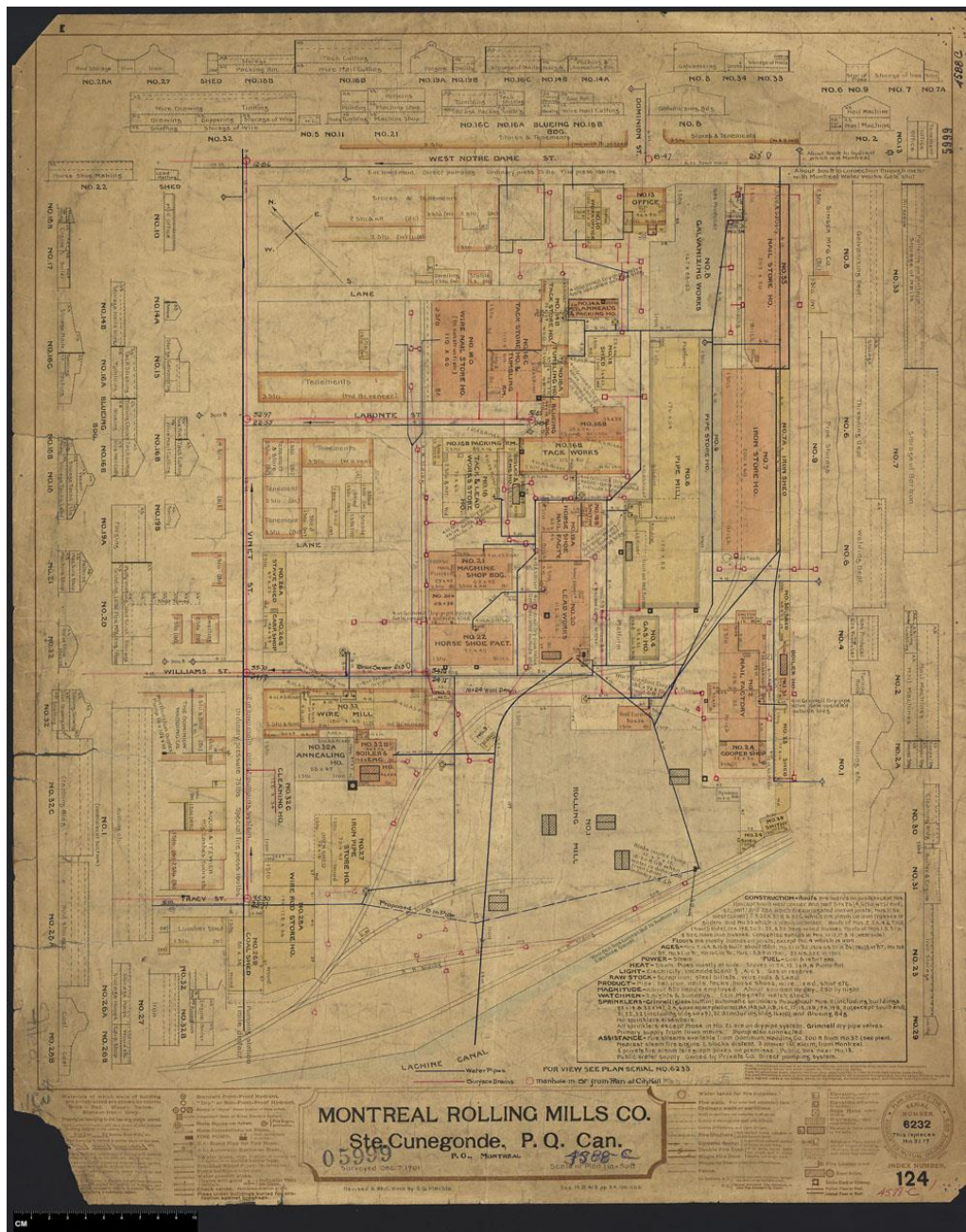


Figure 5.1: Montreal Rolling Mills Fire Insurance Plan, 1901.

Source: *Stelco*. Vol 122, File 7 “Insurance Plan.”

By the 1890s, the drive towards expansion became irresistible for Montreal Rolling Mills, as it sought to assert dominance over the Dominion’s secondary iron and steel industry. This chapter will show how the company had reached the limits of what it could achieve with politics and how it turned to other ways of making money. The return of the Liberals, who in 1896



defeated a Conservative government weakened by scandal and bereft of John A. Macdonald, was assumed to herald a crisis but in reality showed that the party in power mattered less than company directors had thought. The Liberals made their peace with protectionism, and Montreal Rolling Mills' directors made their peace with the Liberals. Tariffs remained important, but the company quickly learned that even if they were to be largely decided in public, they could still get their way. With politics a less pressing concern, McMaster turned to radically expanding the scale of the company's operations. This expansion would not be without its difficulties – allies and rivals were also seeking power. To achieve victory would require ruthlessness and guile, but perhaps just as important was an increasing pool of capital. By the 1890s, the first generation of Montreal Rolling Mills investors began to die off and leave inheritances to widows and children. Meanwhile, female stockholding continued to expand, radically changing the composition of the republic of stockholders. Ultimately, the turn of the twentieth century would see Montreal Rolling Mills' greatest defeat, as it failed to expand into Nova Scotia, but also its greatest victory, seizing control of its competitors in Montreal.

### *Crash Politics III: Tariff Hegemony*

The decade that followed the return to Conservative rule and the consequent advent of a protectionist regime in the form of the National Policy were profitable for Canada's iron and steel industry. Although there had been cyclical downturns in the late 1850s and for most of the 1870s, everything seemed to be firing on all cylinders with good times, and healthy dividends, being enjoyed by all. Surely this time was different. The greatest success story of the 1880s was certainly Chicago, which grew by leaps and bounds largely due to the meat-packing industry and its place as the central pivot of the American railroad network linking east and west. Seeking to

emulate this accomplishment, the British bankers Baring Brothers invested heavily in Argentinian agriculture, attempting to transform Buenos Aires into a South American Chicago. However, by 1890 the project had proved a total failure. In November of that year, the firm that had negotiated the Louisiana Purchase and had been a driving force behind Confederation was teetering on collapse, only saved by a temporary measure allowing it to reorganize itself as a joint-stock corporation to raise desperately needed capital.<sup>3</sup>

A pessimistic observer might have looked at the tightening of British investment capital, combined with the death of that symbol of stability, John A. Macdonald, and assumed that the Canadian economy would suffer a downturn. The negative effects of the European crisis were however significantly offset by the continued prosperity of the United States, along with high prices for Canadian agricultural commodities. In the early 1890s, Canada's place between the two great Anglo-Protestant powers led to moderate economic expansion, which ramped up in 1892 as a result of a particularly good harvest.<sup>4</sup> The harsh reality of capitalism would catch up to Canadians in 1893 when it was the turn of Argentina and Russia to have excellent harvests, leading to a glut in the international wheat market and a consequent decline in prices. This, combined with the US government creating a self-inflicted revenue crisis after it reduced its sugar tariff, resulted in a major economic downturn.<sup>5</sup> The depression hit Canada in the spring of 1894, causing a collapse in agricultural prices and a major slowdown in manufacturing.<sup>6</sup> This time was not different after all.

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<sup>3</sup> Nelson, *Nation of Deadbeats*, 188-189. For the Barings and Canada, see Andrew Smith, *Businessmen and Canadian Confederation*. Tom Naylor had earlier called Baring Brothers the true Fathers of Confederation, which Smith argued "contains an element of truth, although the reality was more complex than his cursory analysis of bond prices would suggest." (94).

<sup>4</sup> Hamelin and Roby, *Histoire économique du Québec*, 95-96.

<sup>5</sup> Nelson, *Nation of Deadbeats*, 188-191.

<sup>6</sup> Hamelin and Roby, *Histoire économique du Québec*, 96-97.

The transition from Charles Watson to William McMaster around the turn of the decade changed very little in Montreal Rolling Mills' focus. The new managing director continued the usual annual complaining to Ottawa about slight modifications to the tariff. In his letters to the ministers of finance and customs, McMaster used language little changed from the 1880s, including invectives against Londonderry, threats to close shop, and complaints about the Americans not playing fair. Meanwhile, the combination to fix prices was under pressure. McMaster complained that both Pillow, Hersey & Co. and Peck, Benny & Co., two of his most important local competitors, had been selling nails at below cost, and had taken too many orders when they had no available stocks. According to McMaster, both companies "have now all the orders that they want and are giving away their dollar bills for about 90 cents." He had a dim view of the future of the trade, as "when these orders at low prices are filled as there is no question that fully 50 per cent of the Nails that were bought for the last six weeks have been purchased on speculation that the country will be filled up with cheap Nails and it will only be when there is no demand for Nails that the fight will commence as to who will be able to run longest and make Nails and who will be the ones to sell the lowest." McMaster did not believe in the possibility of reaching an agreement with the two companies, but if something could not be done about their desire to compete by lowering prices it might be necessary to shut down Montreal Rolling Mills.<sup>7</sup>

McMaster wrote of these concerns to Charles Edward Doolittle of the Ontario Rolling Mills Co. in Hamilton and suggested an ambitious solution to the hardware trade's collective conundrum. He proposed a merger of the firms in Montreal with Doolittle's firm in Hamilton, as "[t]he various goods that are made by each of us could be consolidated so that the cost of

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<sup>7</sup> Letter from William McMaster to C. E. Doolittle, 30 May 1891. *Stelco*. Vol. 29, File 1, "Montreal Rolling Mills Letter Book, May 1890 - 1895."

management for these various departments would be minimized. In the question of the purchase of material a great saving could be made and so far as what was required of Scrap that could be had in Canada and the expenses of management of course would naturally also be greatly reduced.” John Pillow had already suggested something along those lines, and to assuage James Peck’s pride, as his company had been passed down to him from his grandfather and then his father, McMaster was even willing to call the new company the “Peck Manufacturing Co.” or the “Peck Rolling Mills Co.”<sup>8</sup>

The combination continued to operate into the mid-1890s, with no merger in sight, but McMaster began to undermine the association when it was convenient. In 1895, he was caught selling nail plate to William Shaw of Québec City at a price unagreed upon by Hersey, Peck, or the others, and heard that he was “to be hauled over the Coals at next Association [combination] meeting [...]” A few weeks later, McMaster ordered the company’s machinist shop to make arrangements to build six new nail machines, but told him not to “order all the castings at once or say anything that would give the information outside that we are building machines – we do not want the other makers to know that we are adding to our capacity.”<sup>9</sup>

By the start of the depression in 1894 the Conservatives had been in power for fifteen years and were likely in the weakest position they had been since the Pacific Scandal. They began to be concerned about their political position regarding the National Policy. In responding to another petition by the rolling mills about the duty on scrap, the minister of finance, George Foster, argued that it was “against the interests of the Government to raise any questions of this kind at the coming session [...]” which McMaster took to mean that “the Government would be

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<sup>8</sup> *Ibid.*

<sup>9</sup> Letters from William McMaster to William Shaw, 26 September 1895, and McMaster to John Jones, 12 October 1895. *Ibid.*

afraid to raise any questions in regard to the tariff as it would give an opportunity to the Opposition to take up the time of the House and also give the Opposition an opportunity of denouncing the tariff and presenting comparisons with regard to the prices that are ruling in the United States for materials used by the farmers and consumers generally [...]”<sup>10</sup> According to *Iron Age*, the trade journal of the North American iron and steel manufacturers, “[c]ustoms disputes have become so common and the temper of importers so determined that the Government concluded to bring in a bill for their more satisfactory settlement [...] The Montreal Board of Trade, backed by several others, had sent in a strong petition for a Board of Customs made up of experts in five of the great divisions of trade. The rejection of this proposal by the Government is not relished by the Montrealers.”<sup>11</sup>

Meanwhile, the Liberals were beginning to gain support even in the Conservative stronghold of Montreal. On 23 January 1895, Wilfred Laurier held a massive rally at Windsor Hall, which was reported on with breathless enthusiasm by the *Montreal Daily Herald*, by then a Liberal party organ.<sup>12</sup> There, what the paper called “Montreal’s best citizens,” came to “hear Canada’s most famous living orator [...]” Surely delighted by the turnout, Laurier’s first words were “Is this Montreal? Is this the great Conservative Protectionist city of Canada?” He admitted that “the people of Montreal may perhaps have been carried away for some time by seductive promises of protection,” but argued that this was mainly because of “the prestige of the eminent Sir John Macdonald, with whose fortunes the fortune of the Conservative party was so long associated.” Regardless, the leader of the opposition spent the entirety of his speech on the subject of

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<sup>10</sup> Letter from McMaster to I & E. R. Burpee, 5 April 1895. *Stelco*. Vol. 29, File 1, “Montreal Rolling Mills Letter Book, May 1890 - 1895.”

<sup>11</sup> *The Iron Age*, “Canadian Notes,” 15 August 1895, 326.

<sup>12</sup> “A Triumph,” *Montreal Daily Herald*, 23 January 1895, 1-3. Beaulieu and Hamelin, *Les Journaux du Québec de 1764 à 1964*, 100.

protection, the question he considered “of the utmost importance.” He lambasted the National Policy “as a corrupting agency wherewith to keep themselves in office, has developed monopolies, trusts and combinations.” He dismissed the idea that Montreal’s prosperity was due to the tariff, but rather its geographic position within the river navigation system, even crediting John Young and Hugh Allan, whom he believed “ought to have their images and portraits upon all the walls of our public buildings.” It followed that “the policy of the city of Montreal should not lie in the way of the restriction of trade but in the way of the expansion of that trade.” For Laurier, manufacturers were “just like the man who commences to drink moderately, and who becomes a slave to the habit, and then would fain impress upon himself and his friends that liquor is indispensable to his health.” The principles of the Liberal Party were clear: “there can be no compromise. We stand here against protection and in favor of a Customs tariff based upon the principles of revenue and nothing else.”<sup>13</sup>

Laurier’s fiery anti-protectionist speech on their doorstep, and its enthusiastic welcome, certainly unnerved the largely conservative Montreal bourgeoisie. But in an attempt to unite the Liberal party Laurier had already started charting a more nuanced course on the issue. Attempting to distance themselves from free-trade ideologue Richard Cartwright, Laurier had called a national convention in 1893 and made a Galtian case for incidental protection from a properly designed revenue tariff.<sup>14</sup> When the election was finally called in 1896, McMaster and his allies mobilized behind the Conservatives but for first time since the tumultuous 1870s they were unable to translate their economic power into a pliant federal government. McMaster wrote that “the result of the elections [...] has been very unsatisfactory, but we have to accept the situation. On [the American] side you are going in for higher protection, while here we have

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<sup>13</sup> “A Triumph,” *Montreal Daily Herald*, 23 January 1895, 1-2.

<sup>14</sup> Heaman, *Tax, Order, and Good Government*, 165-166.

returned to power people who to some extent are inclined for free trade or Revenue Tariff. I expect the result as far as business is concerned that for the balance of the year there will be very little to do, people buying only what is absolutely necessary.”<sup>15</sup>

Montreal Rolling Mills responded to the Liberal election victory by shutting down, throwing hundreds of men out of work. When asked about their actions by the press, McMaster denied the shutdown had anything to do with the election, arguing that “[i]t happens we have too much stock on hand, and we have closed down until the market improves.” However, he quickly admitted that “[t]here is no doubt that with any change of government which involves a revision of the tariff, there will be a certain amount of doubt in the commercial world till the policy of the new government is announced.”<sup>16</sup>

Bourgeois Montrealers, perhaps as addicted to protection as Laurier had accused them of being, certainly felt a sense of apprehension as the new prime minister appointed his cabinet and set his priorities. However, to everyone’s surprise, their old free trading nemesis Richard Cartwright was denied the finance portfolio. Instead, Laurier appointed the Nova Scotian William Fielding, who was “a proven friend of business interests” and “a Free Trader by profession and a Protectionist in practice [...]”<sup>17</sup> Fielding was a known value and immediately assuaged the trepidation the Dominion’s businessmen. McMaster wrote that Fielding was “a representative of the Lower Provinces interests, is we think interested in maintaining the necessary present protection, to the coal interests in this country.” Maintaining the duty on coal, McMaster surmised, would “assist us materially in having the duties on the finished product

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<sup>15</sup> Letter from William McMaster to Luther Little, 24 June 1896. *Stelco*, Vol. 30, File 1, “Montreal Rolling Mills Letter Book, 1895-1900.”

<sup>16</sup> “The Rolling Mills,” *The Daily Witness*, 7 July 1896, 3. The Pictou Charcoal Iron Company also shut down its furnace while it waited to see what the Liberals would do to the tariff. See Naylor, *History of Canadian Business*, vol. 2, 205.

<sup>17</sup> Carman Miller, “Fielding, William Stevens,” *DCB* vol. 15 (2005).

maintained, as we are then able to point out to the Government that on account of the extra cost of fuel to manufacturers of this country, they must protect us against the foreign manufacturer who is able to procure his fuel at very much lower rates.”<sup>18</sup> This shows that bourgeois Montrealers realized that they could perhaps work with the Liberals, and that even if they did not have the kind of direct clientelist access to the government as they had under the Conservatives, they could still get their way.

In late 1896, bourgeois Montrealers were faced with Liberal tariff-making for the first time in almost two decades. As in the difficult 1870s, decisions would be made in public in the form of a commission, forcing businessmen to justify their demands in front of the press, and thus allowing the Liberals to justify their tariff as rational and unpartisan.<sup>19</sup> When the commission passed through Montreal in November, neither McMaster nor any other of the major directors saw fit to meet with Fielding and his commissioners. The rolling mill combination instead sent James Kinghorn, a manager at Montreal Rolling Mills, and Thomas Edmund Peck, James H. Peck’s son. They presented a memorandum asking the government to refrain from making any changes to the tariff, but that if there were changes that they would like to “state their position [...]” They also argued that to encourage the development of primary pig lead and steel, the government should use bounties and not protective tariffs.<sup>20</sup>

In early 1897 the commission, facing public criticism for privileging the opinion of manufacturers over consumers, made another round through the Dominion.<sup>21</sup> This time the rolling mill combination, used to its easy access to Conservative finance ministers, had initially

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<sup>18</sup> Letter from William McMaster to C. S. Wilcox, 28 January 1897. *Stelco*, Vol. 30, File 1, “Montreal Rolling Mills Letter Book, 1895-1900.”

<sup>19</sup> Heaman, *Tax, Order, and Good Government*, 170-171.

<sup>20</sup> LAC, Tariff Commission 1896-1897, RG36-8, Summary Notes on Rolling Mills, 115.

<sup>21</sup> Heaman, *Tax, Order, and Good Government*, 176.



managed to miss their opportunity to speak to the tariff commission as they had expected an audience with Fielding in private, not in public. In response to further demands for an audience, Fielding responded that “[s]o many applications for further Tariff hearings are coming in, and it will be impossible for me to comply with them all.”<sup>22</sup> Surely realizing that the rules had changed, in late February 1897 Montreal Rolling Mills signed onto several written memoranda, including ones on wire, horse shoes, horse shoe nails, cut nails, tufting buttons, bar iron and steel, fish plates, nail plate, forging, tacks, and wire nails. Representatives would present these to Fielding in Ottawa, where the commission “gave the manufacturers the last word.”<sup>23</sup> The memoranda contained the usual complaining about unfair American competition and high freight rates, with the expected admonitions about the effects of changes to the tariff, whether it be raising rates for what they considered raw materials or lowering them for finished products.<sup>24</sup> This time, the combination sent a more senior representative to make their case, Charles S. Wilcox, managing director of the Ontario Rolling Mills in Hamilton. Wilcox presented the combination’s memorandum, and in a private statement, warned that “if the rates of duty were reduced, it would enable the manufacturers in the United States at any time that they felt inclined to be such a disturbing element in the iron and steel business in Canada that we in this country could not exist.”<sup>25</sup>

A few weeks later, to punctuate the rolling mills’ position on the existential question of tariff protection, McMaster once again closed down, throwing some 400 men out of work. When asked for comment by *The Gazette*, he responded “Tell me when the tariff will be settled [...]

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<sup>22</sup> Letters from William McMaster to William Fielding, 16 February 1897, and McMaster to Ontario Rolling Mills Co., 16 February 1897. *Stelco*, Vol. 30, File 1, “Montreal Rolling Mills Letter Book, 1895-1900.”

<sup>23</sup> Heaman, *Tax, Order, and Good Government*, 178.

<sup>24</sup> The memoranda are pasted in the company letter book between 3 March and 6 March 1897 although many are dated as being written in February.

<sup>25</sup> LAC, Tariff Commission 1896-1897, RG36-8, 4169.

and I will tell when we shall resume work.” The main problem, according to McMaster, was that neither manufacturers nor wholesalers desired to build up stock: “Now, this feeling, which is engendered upon by the possibility of tariff change, is bound to react upon us. We have plenty of stock to supply all our customers, but we cannot afford to go on piling it up, not knowing what the changes will be like or how they will affect the trade. [...] It is noticeable that goods upon which there is no duty, as tinware, sell briskly, while all others, upon which there is a duty, and which may be subject to change, are stationary. There is a little buying here and there for actual need; none for stock. This is too significant for us to be indifferent to it.”<sup>26</sup>

As McMaster and his allies publicly warned about the potential catastrophe that would befall should major changes be made to the tariff, more privately they had come to accept that whatever changes the Liberals were going to make would not become an actual existential threat to their business. Around the same time that they were sending memoranda to Fielding and the commissioners, and only a few weeks before shutting down the works, McMaster admitted to Harrison Watson that “[w]e had very satisfactory statement last year and now our position is such that we are running full in the most of our departments and must keep them going. We judge that the time has arrived that it will be better for us to sell at the best prices we can get rather than to try and arrange our works so that at times we may have to close down for the purpose of trying to keep up prices.” A few weeks later he wrote a customer that “I cannot imagine that there will be any radical changes made in the iron duties but they may go for ad-valorem duties where we have specific.”<sup>27</sup>

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<sup>26</sup> “Tariff Uncertainty,” *The Gazette*, 16 March 1897, 2.

<sup>27</sup> Letters from William McMaster to Harrison Watson, 28 February 1898, and McMaster to John Bland, 13 April 1897. *Stelco*, Vol. 30, File 1, “Montreal Rolling Mills Letter Book, 1895-1900.”

McMaster's private inkling was correct: the final Liberal tariff made no substantial changes to the Conservative version that he and his allies had fought so hard for. As E.A. Heaman put it, "[r]ather than reform the tariff, the Liberal Party chose to perform responsiveness as political theatre."<sup>28</sup> A few years later, Joseph Alexandre Camille Madore, the Liberal MP for Hochelaga, gave a public speech in Montreal in support of the Liberal tariff. He proudly "cited a familiar instance in the satisfaction expressed by Mr. Macmaster [*sic*], manager of the Montreal Rolling Mills, with the changes in the tariff, made by Mr. Fielding. Mr. Madore read Mr. Macmaster's [*sic*] letter to himself in this sense. The Montreal Rolling Mills had bitterly opposed the Liberal party in 1896, and the testimony of Mr. Macmaster [*sic*] was accordingly most important."<sup>29</sup> Bourgeois Montrealers like McMaster, an ardent Conservative throughout his life, learned that they could live with Liberal tariff-making. At the end of the day, what did it matter what political party controlled the tariff, as long as the corporation got what it wanted.

### *A Stockholder's Republic III: Sex and Death*

By the 1890s, the composition of Montreal Rolling Mills' stock ownership had changed significantly from the initial handful of the Montreal bourgeoisie's upper strata. The case of Emily Sweeny (Chapter 4) shows us how women became more important members of the stockholder's republic, owning increasing number of shares in their own names rather than through the instrument of the trust. At the same time, more and more accounts were controlled by estates, as older stockholders died and passed on their assets to widows and children. This caused its own bundle of problems, as inevitably someone was forced to deal with often complex

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<sup>28</sup> Heaman, *Tax, Order, and Good Government*, 180.

<sup>29</sup> *Montreal Herald*, 1 November 1900, 7.

questions of ownership. Both these developments expanded the reach of bourgeois social networks.

After the company's stock was revalued in 1873, with shares passing from \$1000 to \$100, the door was open for more investors to join Montreal Rolling Mills' republic of stockholders. Obviously, this was hardly a democratization of stockholding, with even the reduced cost of company stock staying well out of reach for the working class. These were not penny stocks, a form of inexpensive and highly speculative type of stock largely confined to mining companies in the late nineteenth century.<sup>30</sup> Montreal Rolling Mills stock remained a secure if expensive investment for the city's better-off. There was nonetheless a steady increase in the number of stockholder accounts created in the decades leading up to the end of the century with the most important jump taking place after around 1895 (Table 5.1). By 1900, there were fully 133 active stockholder accounts in the company's ledger, a 60 per cent increase from 1895 and more than double the number from the start of the decade.<sup>31</sup> Taking advantage of this success, the company issued new shares increasing its capital stock from \$500,000 to \$750,000.<sup>32</sup>

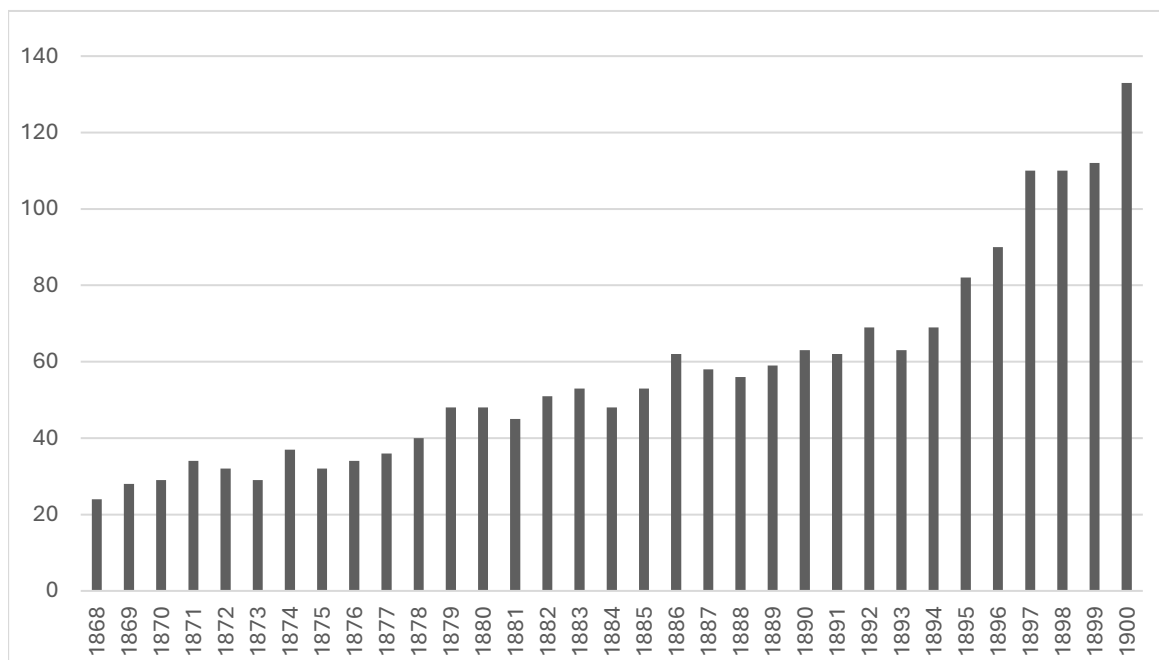
The large increase in the number of Montreal Rolling Mills stockholders after 1895 is attributable to the higher rate of women owning stock under their own names (Table 5.2). In 1895, for the first time, more than half of all the company's stockholders were women (51.2 per cent), and although this proportion dipped slightly between 1896 and 1899, by the first year of the twentieth century women accounted for fully 53.7 per cent of all individual stockholders. While unlike the 1870s and 1880s this property was held in the owner's own name, the republic of stockholders had not suddenly become an egalitarian space. As general assemblies were

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<sup>30</sup> Armstrong, *Blue Skies and Boiler Rooms*, 26-27.

<sup>31</sup> See Chapter 3, n. 7 for an explanation of my methodology.

<sup>32</sup> *Quebec Official Gazette*, 30 June 1900, 1409.

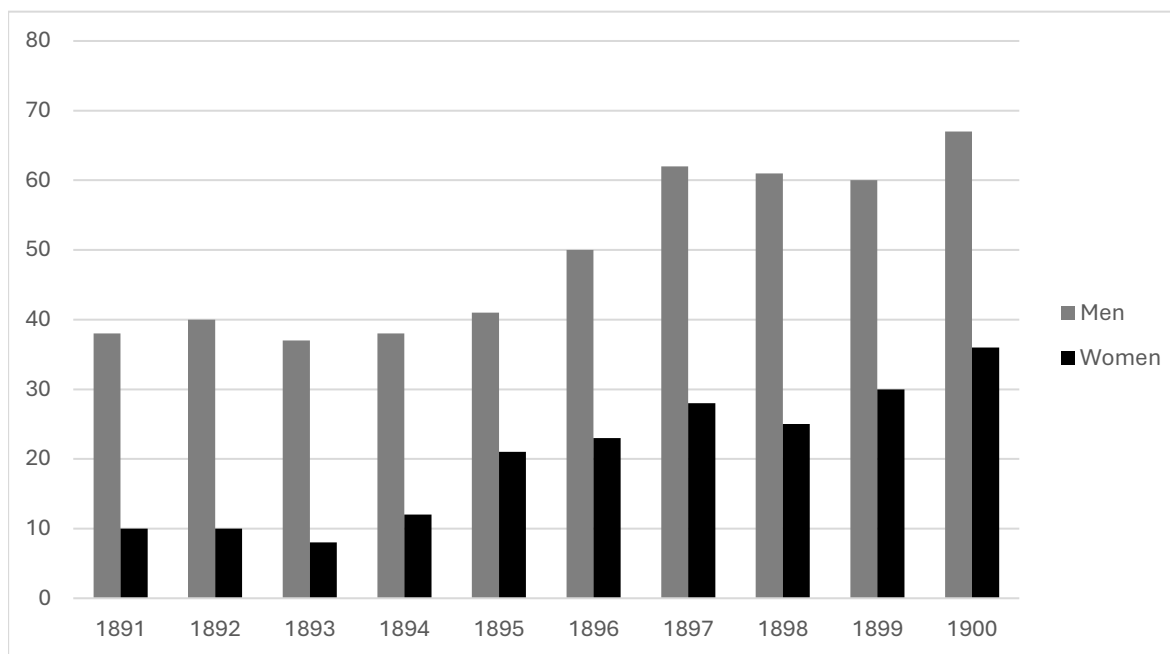
**Table 5.1: Total Number of Active Stockholder Accounts (Individuals, Trusts, and Firms) 1868 to 1900.**

Source: *Stelco*, “Montreal Rolling Mills Share Transfer Books” series, Vol. 104, Files 1-3; “Montreal Rolling Mills Stock Ledger,” Vol. 432.

gendered spaces, women typically had to vote through an intermediary, the company often diligently noting what male relative, family friend, or lawyer, was authorized to speak on their behalf. Eight of the 36 individual stockholder accounts had notes of this nature, for example Vincent Meredith speaking for his wife Matilda Isabella Allan, Elizabeth Gibbon, and Edyth Maud Routledge. Nonetheless, the vast majority of stockholder accounts held by women were in their names only.

Unsurprisingly, these accounts tended to be smaller than those held by men. Here I must revalue my categories of stockownership introduced in Chapter 3 to conform to the post-1873 values, with large accounts holding more than 100 shares, medium accounts from 10 to 99 shares, and now small accounts, holding stock with less value than a single share pre-1873, that is to say 1 to 9 shares. In 1900, only four women were large stockholders: Susan Corse Fisher,

**Table 5.2: Number of Individual Accounts Owned by Men Compared to Individual Accounts Owned by Women, 1891 to 1900.**



Source: Stelco, “Montreal Rolling Mills Share Transfer Books” series, Vol. 104, Files 1-3; “Montreal Rolling Mills Stock Ledger,” Vol. 432.

Esther A. Massue, Elizabeth Georgina Johnstone, and Bertha Sutherland. All held 10 shares in the company, the equivalent of a single share when it was founded. They also all had important connections to the company. Susan Corse Fisher had been its first female stockholder, having purchased shares from John McDougall in 1871. Esther A. Massue was the widow of Louis Huet Massue, a long service MP for Varennes who had first purchased shares in 1880, and she received her shares as part of Louis’ will. Elizabeth Georgina Johnstone was Emily Sweeny’s niece and had inherited her first shares when Sweeny died in 1885. Finally, Bertha Sutherland was Louis Sutherland’s wife, receiving shares from her husband in May 1900.<sup>33</sup> The rest of the

<sup>33</sup> *Census of Canada*, 1891, 1901. Fisher appears to have had two accounts. The first, named Susanna Corse Fisher, was opened in 1871 and closed in 1882, and the shares were transferred to a Susan C. Fisher. I have found no trace of Susanna Corse Fisher in earlier census’, but in 1901 Susan Fisher is listed as being the wife of the doctor Arthur Fisher. As Susan was 78 years old in 1901, it is likely the account was held by the same person.

accounts held by women in their own names were much more modest, with 14 being medium stockholders (ranging from 10 to 48 shares), while 18 were small stockholders (ranging from 4 to 9 shares). Again, the number of shares owned was not an indication of the wealth or of the standing of the individual within the Montreal bourgeoisie. Andrew Allan's daughter Isabella, part of the richest family in the country and the wife of Sir Vincent Meredith, future president of the Bank of Montreal, only owned 5 shares.

Women often became stockholders when they were widowed, with shares in Montreal Rolling Mills being part of often large portfolios and extensive estates. Bourgeois Montrealers like William Sutherland took great care in ensuring their wives would live financially secure lives after they died (see Chapter 3). Often, "[t]hese were men who had successfully combined the earning of income from trade or business with good investments that were producing predictable rents, dividends, or interest. They had reached the later stages of the middle-class property cycle, in which income from investments or real estate was already equally or more important than monies earned from business or professions."<sup>34</sup> Widows were of course not the only people who could inherit stock, children could as well. The case of Louis Sutherland, who largely contributed to Montreal Rolling Mills surviving the crisis of the 1870s, is a case in point. But William Sutherland only had one surviving child alongside his widow, so transferring his estate was rather simple for Charles Watson and Louis. The Allan family is a good example of how a larger family could handle passing down stock. When Hugh Allan died in December 1882, his brother Andrew held his 425 shares in trust, transferring them to Hugh's children Hugh Montagu, Bryce James, and Arthur Edward in 1892, when the latter two were 20 and 21 years old respectively (Montagu, at 32, had already received 20 shares a few months after his father's

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<sup>34</sup> Bradbury, *Wife to Widow*, 161-163.

death). This wound up Hugh Allan's account with Montreal Rolling Mills. Unlike his siblings, Arthur Edward did not hold onto the 106 shares assigned to him, so a new trust was formed with his brother Montagu and cousin Andrew Alexander assigned as trustees, who would manage Arthur Edward's inheritance until the latter's death in a fire in 1893, after which 56 of his 106 shares were sold to William McMaster and William Meredith, with the rest distributed to 11 relatives and family friends in 5 share increments.

The transfer of stock from Hugh Allan's estate to his children and family friends forms the core of an Allan family "cluster" of stock ownership.<sup>35</sup> Similar to the Bank of Montreal cluster described in Chapter 3, family clusters tended to be centered on one or several male stockholders, sometimes as part of an estate but usually someone living, who would buy a number of shares and distribute them to their sons, daughters, and family friends. As Noam Maggor has shown, the creation of family clusters was also typical of New England textile corporations.<sup>36</sup> In the case of Montreal Rolling Mills, one of the most prominent examples was the Hamilton family cluster. The Hamilton family were powerful lumber barons from Hawkesbury, only a short distance from Montreal, and an integral part of the metropole's economic hinterland. Although their powerbase was in Hawkesbury, they remained closely connected to the Montreal bourgeoisie. The most prominent member was John Hamilton, who while making a fortune in the lumber trade, also became vice-president and then president of Hugh and Andrew Allan's Merchants' Bank, the second largest bank in the Dominion. In 1884, after distinguished service with the Merchants' Bank, he became a director of the Bank of

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<sup>35</sup> Mark Freeman, Robin Pearson, and James Taylor, "'A Doe in the City': Women Shareholders in Eighteenth- and Early Nineteenth-Century Britain," *Accounting, Business & Financial History* Vol. 16, No. 2 (July 2006), 269-270.

<sup>36</sup> Maggor, *Brahmin Capitalism*, 29.



Montreal. In 1867 John A. Macdonald rewarded his fidelity to the Conservative Party by appointing him to the Senate, a position Hamilton held until 1887.<sup>37</sup>

George Hamilton, John's elder brother, formed a trust in 1879 and purchased 150 shares of Montreal Rolling Mills stock from the baronet Henry Middleton, immediately transferring them over to John, who held them until his death in 1888. The next month, George's trust purchased another 50 shares from Middleton, and distributed them to his family: 20 shares to R. C. Hamilton, 10 shares to John Hamilton Jr., and 5 shares to Henriette Hamilton. He also transferred 15 shares to George Thomson, part of a family that had been partner to the Hamilton lumber business in Hawkesbury. The next month, Robert, John's other elder brother, purchased another 100 shares from Middleton. George Hamilton's trust account closed after that transaction, but would reopen four more times before 1886, each time to purchase stock that would be immediately transferred to family and other businessmen. George Hamilton was clearly a trusted connection to Montreal Rolling Mills and William McMaster asked him several times for advice on where to invest for Mabel Watson's trust fund.<sup>38</sup> The members of the Hamilton family cluster continued to purchase more shares throughout the 1880s, largely from Charles Watson and William McMaster, as well as gobbling up new issues as they were made available. When John Hamilton died in 1888, his estate became the responsibility of George, who quickly wound it up by transferring his 218 shares to other family members, including Alice, George Chetwood, Edmund, and trusts controlled by himself with other businessmen. With the exception of George Thomson and Charles Chetwood Hamilton, the family continued

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<sup>37</sup> Robert Peter Gillis, "John Hamilton," *DCB*, Vol. 11 (1982).

<sup>38</sup> Letters from William McMaster to George W. Hamilton, 12 October 1894 and from McMaster to Harrison Watson, 17 October 1894. *Stelco*. Vol. 29, File 1, "Montreal Rolling Mills Letter Book, May 1890-1895." Letter from McMaster to Hamilton, 4 March 1897. *Stelco*. Vol. 30, File 1, "Montreal Rolling Mills Letter Book, May 1895-1900."

to be stockholders of Montreal Rolling Mills into the twentieth century, and in the rare instances they sold stock, it was almost always to the McLennan family.

The Hamilton family cluster is a good example of how stock tended to concentrate in certain families, usually under the authority of family patriarchs like George and John Hamilton. The winding up of estates and the distribution of stocks by a father or grandfather was one of the main ways the republic of stockholders expanded to include more women and children, people that had been largely invisible in the company's first decade. The example of the Allans and the Hamiltons seem to have been fairly uncomplicated, but dealing with the consequences of a death could just as likely come with an endless number of headaches. When Charles Watson died in 1891, William McMaster was assigned as executor of his will. Watson had sold his Montreal Rolling Mills stock in 1890, mainly to Hugh McLennan, so McMaster did not have to deal with distributing his own company's stock. But Watson had built a large portfolio, and for more than a decade McMaster was forced to handle investments for his former boss' children. This was no easy task, and its complexity underlines how wide bourgeois networks expanded in an era of rapid travel and instant communications.

Watson had two children, his son Harrison and daughter Mabel. In the 1890s, both Watson children would leave Montreal. Harrison, who quit his job at Montreal Rolling Mills due to having "enough of an income not to bother with Nails or Iron or anything else [...]"<sup>39</sup> was appointed as Curator of the Canadian Section at the Imperial Institute in London. Mabel, for her part, entered the Cape Town branch of the family, marrying Thomas Tennant Watson in 1887 and moving to Cape Colony.<sup>40</sup> Further complicating matters was a parcel of land McMaster and

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<sup>39</sup> Letter from William McMaster to John Bland, 19 January 1892. *Ibid.* McMaster goes on to lament that "if I had as much money as he had that I should not worry either as far as business is concerned."

<sup>40</sup> Letter from William McMaster to C. Cusing, 29 November 1894. *Ibid.*

Watson had purchased sometime in the 1880s in Springfield, Manitoba, and which was supposed to be sold with proceeds going to Waston's children.<sup>41</sup> Dealing with the Watson estate meant micromanagement of assets and beneficiaries across three continents, whether trying to coordinate a sale of the Springfield property and sending regular dividend cheques to Cape Town. Mabel Watson's trust (Table 5.3), controlled by McMaster and her brother Harrison, shows significant and diverse investments which netted the family hundreds of dollars of passive income annually. McMaster, perhaps under instructions from Charles Watson given before his death, mainly put the capital into A1 municipal, provincial, and federal bonds, as well as real estate and land from the Canadian Pacific Railway, which were "secure investments [...]"<sup>42</sup>

Handling these assets took up considerable time, and as early as 1892 McMaster was writing the town of Springfield about "our desire to dispose of the property at the first favorable opportunity." The next year he tried to get the secretary-treasurer of the municipality to help him get rid of the property, writing that "I, of course, know that it is not your business of selling land. At the same time in asking if you can dispose of the same I certainly want to pay you for the work. I have been paying taxes now for a great many years and it looks like as if it was philanthropy on the part of the holders of the property to keep on paying taxes unless there are some prospects of getting a return." He also tried multiple times to get out of handling Mabel's trust, which held as co-trustee with Harrison. In 1895, he tried to transfer the trust to a company in the Cape of Good Hope, asking his legal representatives if "under terms of the Trust Deed passed by the later Charles S. Watson we could in any way be released as Trustees and whether

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<sup>41</sup> As early as 1886, Watson wrote about a parcel of land in Winnipeg owned by the company that he was already trying to sell, attempting to offload it to the Winnipeg Board of Trade. The land McMaster complained about in the 1890s and 1900s was specifically in Springfield, a rural community bordering Winnipeg. It is highly likely that this was the same property, dating its purchase to before 1886. See Charles Watson to Thomas A. Anderson, 10 December 1886, and William McMaster to William Goodridge, 26 December 1890. *Ibid.*

<sup>42</sup> Letters from William McMaster to Harrison Watson, 18 January 1895, and from McMaster to T. Tennant Watson, 12 February 1895. *Ibid.*

*Table 5.3: Mabel Watson's Trust in 1895.*

|   |                    |
|---|--------------------|
| City of Montreal  | \$5,000.00         |
| C.P.R. Land Grant   | \$4,000.00         |
| Province of Quebec  | \$5,000.00         |
| Montreal Harbour  | \$5,000.00         |
| Mortgage on Newlands  | \$3,875.00         |
| St James Club Bonds   | \$2,500.00         |
| Mortgage to E. Delongchamp Jr   | \$5,000.00         |
| Balance proceeds Canada Cotton Co   |                    |
| Bonds in bank   | \$1,500.00         |
| Difference retained between per value and<br>amount paid for Montreal Cotton and<br>Canada Co Bonds | \$487.74           |
| <b>Total</b>  | <b>\$32,363.20</b> |

Note: Capital was retained on Montreal Cotton and Canada Co. bonds because McMaster paid more for those securities than their face value, and this ensured that the trust balanced out when the bonds reached maturity. After Mabel's husband complained about the amount retained, McMaster somewhat patronizingly explained that it was T. Tennant Watson's "want of experience in matters of this kind" that made him misunderstand that this was normal and it was either that or create a sinking fund, which would mean sending him and Mabel smaller annual remittances.

Source: Letters from William McMaster to Harrison Watson, 18 January 1895, and from McMaster to T. Tennant Watson, 12 February 1895. *Stelco*. Vol. 29, File 1, "Montreal Rolling Mills Letter Book, May 1890 - 1895."

or not the amount could be transferred [...] without our incurring and responsibility as Trustees."

He tried again in 1899, writing Thomas Tenant Watson that he intended to leave Montreal – for reasons I will turn to shortly – and telling him that he could no longer handle his wife's business in the city. However, his attempts to get out of responsibility for Mabel Watson failed, and he was still handling her investments in 1903. He did have a little more luck with the Springfield property, as after being stuck with it for almost two decades, McMaster managed to pass the deed along to Harrison Watson, although he kept power of attorney.<sup>43</sup>

The corporation may have been functionally genderless and immortal, but the people whose lives were intertwined with it were anything but. As they married and had children, grew old and

<sup>43</sup> Letters from William McMaster to T. Tennant Watson, 7 December 1899, McMaster to Watson, 11 February 1903, and McMaster to R. A. Dunton, 16 February 1903. *Stelco*, Vol. 31, File 1, "Montreal Rolling Mills Letter Book, 1899-1903."

died, their property flowed with effortless liquidity. As stock and other assets were bought and sold, more and more individuals were pulled into the corporation's orbit, creating new networks, and consolidating old ones. Montreal Rolling Mills was no longer simply the creature of a dozen individuals representing the highest strata of the Montreal bourgeoisie, but a wide network of men, women, and children, all wealthy to be sure, and united in the common ownership of capital. The republic of stockholders had certainly expanded, but in the last year of the nineteenth century, the company itself occupied roughly the same physical space on the Lachine Canal as it had in 1868. But plans were in motion to change this.

#### *Asserting Dominance I: A National Corporation*

Canada largely lagged behind the rest of the industrialized world in the production of primary iron and steel. Bourgeois Montrealers cannot escape at least some blame for this. The company's long struggle with primary iron and steel producers, personified in the "Londonderry people" that preoccupied Charles Watson in the 1880s, had prevented the Dominion from putting in place effective protections that would have encouraged domestic production of things like puddled bar iron. Whatever their personal beliefs about domestic industrialization, corporate *realpolitik* reigned, and the correct tariff policy was always the one that was good for the company. Montreal was a secondary iron and steel centre, and as long as raw materials were cheaper on the British or – increasingly – the United States market, the right answer to the tariff question was a low rate on imports. The Dominion would eventually settle on a policy of paying bounties on domestic iron production, but the damage was done, and it was only in the late 1890s that domestic raw iron and steel was produced in large scale.<sup>44</sup>

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<sup>44</sup> Heron, *Working in Steel*, 15.

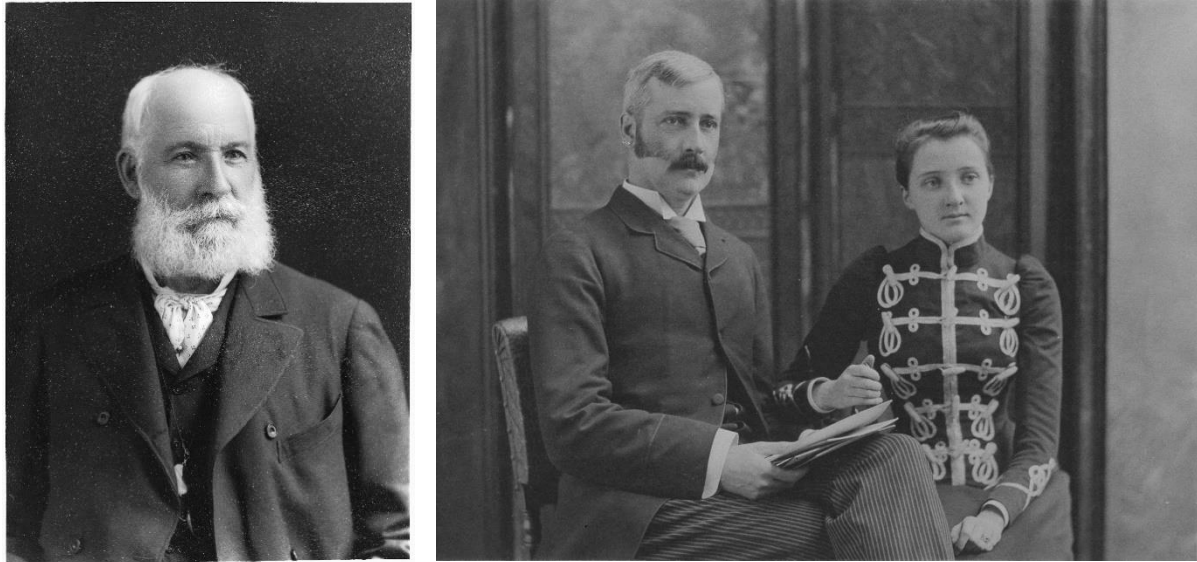
The impetus for Montreal Rolling Mills' first foray into expansion beyond its extensive works on Notre Dame Street was motivated by the need for iron and steel billets for making gas and water pipes. By 1899, the company already had a near monopoly on the pipe market, with only the small Hodgson Iron & Tube Co., leased to Randolph Hersey and operating as Page, Hersey & Co., competing with them. McMaster was particularly concerned about new, smaller firms, which he believed would inevitably fail, and that "it was desirable that any new works should compete as little as possible with those already established." When confronted by J. C.

Robertson, who intended to start a pipe mill in New Brunswick, McMaster answered that it was "rather ridiculous, when the fact is that the Montreal Rolling Mills Co [*sic*] have been doing a business [*sic*] in the manufacture of pipe for 18 years past, that if there was any competition with the works established elsewhere, it was the new Company that would clash with our established interests." McMaster then pushed Hugh McLennan, one of the most prominent bourgeois Montrealers and a director in Montreal Rolling Mills, to write to Robertson's financial backers to "not let them get away with the idea that there would be any money in starting pipe making in St John, N.B." McMaster's aggressive response to this upstart competitor is explained by his having already been drawing up plans to further consolidate Montreal Rolling Mills' stranglehold on the pipe market by setting up new works closer to supplies of raw materials in Sydney, Nova Scotia. Robertson's backers, Pearson & Covert of Halifax, wanted Robertson to "discuss the situation with [McMaster] so that there will be as little clash as possible, defining the limits within which he could operate his works, assuming that you start your enterprise in Cape Breton."<sup>45</sup>

The threat of Robertson's enterprise may have spurred McMaster to speed up his project. By 22 July 1899 he had made a "rough agreement" with John S. McLennan, Hugh McLennan's son,

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<sup>45</sup> Letters from William McMaster to Hugh McLennan, 18 July 1899, and R. F. Pearson to McMaster, 12 July 1899. *Stelco*, Vol. 30, File 1, "Montreal Rolling Mills Letter Book, 1895-1900."



**Figure 5.2: Hugh McLennan in 1888 and his son John and daughter Isabella in 1891**

Source: Notman Collection, McCord Museum, II-87216 and II-94418.1

to establish Montreal Rolling Mills' Nova Scotia works next to the recently incorporated Dominion Iron & Steel Co. (DISCO), of which John McLennan was Secretary-Treasurer and *de facto* General Manager (Figure 5.2). DISCO was formed in 1899 after Nova Scotia Steel had refused a merger with Dominion Coal Co. It would be an “unprecedentedly large, modern, \$15-million complex,”<sup>46</sup> and McMaster wanted to take advantage of what he hoped would be a cheap source of iron and steel billets (Figure 5.3). He expected the deal with DISCO to provide 60,000 tons per year for the new mill in Sydney, as well as 15,000 tons for the Montreal operation, or 250 tons per day for 300 days.<sup>47</sup> As McMaster explained in a letter to Harrison Watson, DISCO could produce steel billets at a price where

they would be in a position to compete with Pittsburg [*sic*] or any other steel producing point in the United States. Our arrangement with this Company [DISCO] will be on a sliding scale for a term of 25 years, and a guarantee for coal from the [Dominion] Coal Co. for the same term, we to get our coal on about the same basis as the large Steel Co. [DISCO]. Our idea is that if we get the steel billets on the basis

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<sup>46</sup> Heron, *Working in Steel*, 20.

<sup>47</sup> Letter from William McMaster to Hugh McLennan, 22 July 1899. *Stelco*, Vol. 30, File 1, “Montreal Rolling Mills Letter Book, 1895-1900.”



***Figure 5.3: Dominion Iron & Steel Co. works in Sydney, Nova Scotia. Montreal Rolling Mills' works would have been next to this site.***

Source: LAC, MIKAN 3363677.

of the net result on the export trade of the Dominion Iron & Steel Co that getting steel billets at this price we can roll the strips and make pipe equally as anyone, and, therefore, if the Steel Co. are able to compete in billets with the world, we can compete in the manufactured article also.<sup>48</sup>

This is a clear example of McMaster's attempt to streamline production by moving closer to the source of raw materials, although he was quite adamant that he did not have the intention at the time to relocate the Montreal operation, which by then was already the biggest wire nail manufacturing enterprise in the Dominion. Much like preferential tariffs, by the 1890s bourgeois Montrealers believed that the maintenance of monopoly was an existential question. When McMaster learned Robertson still planned to go ahead with his pipe mill project in Saint John, he informed Hugh McLennan that "it is no use for us going on any further with the project, as we

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<sup>48</sup> Letter from William McMaster to Harrison Watson, 15 January 1900. *Stelco*, Vol. 31, File 1, "Montreal Rolling Mills Letter Book, 1899-1903."



shall require all the trade in the Dominion, and would have to export, even at that, the largest amount of our output, and we could only do the world's trade in conjunction with the Steel Co." McMaster did believe that it would be possible for the Montreal part of the business to compete with Saint John as long as the cost of shipping billets from Sydney to Montreal remained the same. However, he still attempted to convince DISCO to oppose the Robertson project.<sup>49</sup>

McMaster's proposed works in Sydney nonetheless moved forward, with a price scheme negotiated between DISCO and Montreal Rolling Mills, as well as an arbitration system in case of disagreement, which would ideally be adjudicated by an agreed-upon third party, or failing that, the secretary of the American Iron & Steel Association. DISCO would provide 10 acres of land to Montreal Rolling Mills at a 25 year lease, and the mayor of Sydney was quite open to the possibility of a tax exemption for the new works. One of McMaster's main concerns was the supply of water to the site, but he was assured that the Sydney River would have an "ample supply of excellent water for your mills and ours and all who may come later [...]" The problem of water would continue to beguile the project, however. The works would include a rolling mill, a pipe mill, a pipe store, and a few other buildings. After months of negotiations, however, McMaster informed DISCO on 2 October 1899 that Montreal Rolling Mills "[c]annot make further progress in arrangements until basis [*sic*] taxes settled on basis of fixed amount for same period as your arrangement with city." They wanted to "pay taxes on land at Cost and on buildings on some basis as value placed on other buildings in Sydney. No other taxes to be levied." It is hardly surprising that McMaster wanted the same sweetheart deal as DISCO had,

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<sup>49</sup> Letters from William McMaster to John S. McLennan, 17 October 1899, McMaster to Hugh McLennan, 25 July 1899, McMaster to John S. McLennan, 17 October 1899. *Stelco*, Vol. 30, File 1, "Montreal Rolling Mills Letter Book, 1895-1900."

and McMaster believed that “it will be necessary for the Sydney Council to take the matter up if they are desirous to encourage manufacturers in their midst.”<sup>50</sup>

Both DISCO and Montreal Rolling Mills lobbied the mayor of Sydney to extend the former’s tax exemptions to McMaster’s new project. Meanwhile, the Directors of Montreal Rolling Mills were dealing with another issue. The company had been incorporated in 1868 in the new Province of Québec, as only joint stock corporations that operated in multiple provinces (usually natural resource and transportation operations) could apply for a charter from the federal government. This was also an expensive project, and the company would certainly have to increase capital. The easiest thing to do was to simply wind up Montreal Rolling Mills and start a new company incorporated by the Dominion and with an increased pool of capital through selling stock. The new company would “acquire all the assets and assume all the obligations and liabilities of the present Co[mpany]” while the “President and the Secretary of this Company be and hereby are authorized to sell the entire assets of this Company to a Syndicate & or Co[mpany] approved of by them [...]” The new corporation would buy Montreal Rolling Mills for \$700,000, and issue 12,500 shares valued at \$100 each. Montreal Rolling Mills shareholders would have the right to buy seven shares in the new company for every five shares they owned. They would also have the right to purchase another \$250,000 worth of stock in the new company. Directors would have until the end of the year to make their decision.<sup>51</sup>

The project was moving along rapidly, but reality soon put a damper on things. While plans were being made to create a new corporation combining Montreal Rolling Mills with new works

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<sup>50</sup> Letters from William McMaster to Hugh McLennan, 25 July 1899, McMaster to Hugh McLennan, 26 August 1899, McMaster to Wallace Buell, 31 August 1899, McMaster to Wallace Buell, 16 September 1899, Montreal Rolling Mills [certainly written by McMaster] to John S. McLennan, 2 October 1899, McMaster to Mayor Crowe, 25 October 1899, McMaster to John S. McLennan, 2 October 1899. *Ibid.*

<sup>51</sup> Letter from William McMaster to John S. McLennan, 17 October 1899; “Memo re. Sydney,” n. d. but included in company letter book between 24 and 26 October 1899. *Ibid.*

in Sydney, or even selling Montreal Rolling Mills outright, McMaster had sent Milard Derrick, the company superintendent, to evaluate things on the ground. Derrick found that the promise of “ample supply of excellent water” was something of an exaggeration. In fact, Derrick reported that “[f]resh water was very scarce, and has to be brought from a distance of about six miles, which the Steel Company [DISCO] estimate will cost from three to four hundred thousand dollars for a supply of sixteen million gallons in twenty-four hours.” The new works would require one million gallons per day, so they would ideally pay one sixteenth of the total costs of moving water to the site. It would also be “very expensive to erect buildings and foundations for machinery in Sydney, as there is no building stone, lumber, or brick there, and all the materials would have to be brought there by rail or boat [...]” Additionally, “mechanics, such as carpenters, bricklayers, and stone masons, will demand a large increase in wages in Sydney next summer as the demand for such labor will be far ahead of the supply.” In all, Derrick calculated that the proposed works would cost \$473,950 to establish, not including the cost of boarding houses and cottages, as Sydney did not have the capacity to house all the workers that would need to be brought in to operate the works.<sup>52</sup> Meanwhile McMaster began to seek out potential export markets for the radically increased production envisioned, taking advantage of his close relationship with Harrison Watson in London.<sup>53</sup>

However, a major wrench would be thrown in the works. On 21 November 1899, in Montreal, Hugh McLennan died. Less than a year later John McLennan would retire from his position at DISCO, his biography arguing that “Hugh McLennan’s passing may have prompted his son to

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<sup>52</sup> Letters from William McMaster to J. Hardy and to M. Derrick, 28 October 1899, and McMaster to Derrick, 28 October 1899. *Ibid.*

<sup>53</sup> Letter from William McMaster to Harrison Watson, 7 December 1899. *Ibid.*

end a career he was not passionate about to work on endeavours of greater personal interest.”<sup>54</sup>

The loss of both McLennans, whose familial ties bound the project together, would prove fatal to the endeavour. John McLennan’s successor as General Manager of DISCO, Arthur James Moxham, seemed to be far more tepid in his enthusiasm, although McMaster tried to put things back on track, even making a potent if certainly cynical nationalistic argument saying that “there would be a market here [...] among the various mills in St John, and Montreal, and no doubt you could even reach Toronto, and, therefore, in supplying them, you would fill a want that has been felt for some years among the various mills for material that could be depended upon [...]”<sup>55</sup> The record does not indicate whether or not he recognized that he was himself partially responsible for the fact that those dependable domestic sources of iron and steel had not been better developed already.

But Moxham was no more nationalistic than McMaster, and absent family ties, corporate *realpolitik* reigned. On 1 December 1900, Moxham was in Montreal to attend a funeral, and telephoned McMaster to request they meet at the train station before Moxham left. In their twenty-minute meeting, the new head of DISCO issued an ultimatum to McMaster, whereby he would not promise to provide more than 60,000 tons of materials with prices based on export sales. The lease on DISCO property should still be possible, water prices would be based on the percentage of the total used, while the use of track and wharves on the number of cars used. Moxham told McMaster he had until 7 December to answer, or else he would accept an offer from American Steel & Wire Co. Furthermore, he denied that there was an agreement with Montreal Rolling Mills, as he “had looked through the correspondence and could not see that he

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<sup>54</sup> A. J. B. Johnson, “McLennan, John Stewart,” *DBC* Vol. 16 (Revised 2014). John McLennan would nonetheless continue on at his original company, Dominion Coal Co., for at least a few more months. See letter from William McMaster to John McLennan, 29 November 1900. *Ibid.*

<sup>55</sup> Letter from William McMaster to Arthur Moxham, 29 November 1900. *Ibid.*

had bound the D I & S Co to us [...]” In a letter to John McLennan, McMaster complained that “I do not quite understand the change of conditions. I can surmise, and it seems to me that asking us to come to a decision without giving us the opportunity of deliberating upon same is hardly treatment we should expect to receive.”<sup>56</sup>

McMaster again responded with a nationalistic argument, citing the threat of Americans “getting the monopoly of the wire rod, wire, and wire nail business of this Dominion.” He asked the Saint John nail manufacturer James Pender to contact the directors of DISCO and press upon them the threat that an agreement with American Steel & Wire Co. would pose.<sup>57</sup> Pender was a nationalist who “had responded with anger to attempts by the U.S. Steel Company to force Canadian wire nail manufacturers into dependence, pledging his support instead to the Dominion Iron and Steel Company [...]”<sup>58</sup> He was therefore a valuable ally in McMaster’s cynical campaign to keep the Americans – but most importantly their lower-priced wire nails and pipe – out. McMaster was sure that he would have support from the Ontarians, especially Ontario Tack Co., Canada Screw Co., and Ontario Lead & Barb Wire Co.<sup>59</sup>

Moxham’s ultimatum aside, negotiations between Montreal Rolling Mills and DISCO continued into 1901. On 2 January, Moxham wrote to McMaster with a new proposal. He believed that the price of materials furnished to Montreal Rolling Mills was the only major impediment to finalizing an agreement. He proposed that prices would be the market rate from the point where Montreal Rolling Mills would ship the finished goods minus the cost DISCO incurred in shipping the material to that point, that prices would be agreed to monthly, and that a

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<sup>56</sup> Letter from William McMaster to John McLennan, 1 December 1900. *Ibid.*

<sup>57</sup> Letter from William McMaster to James Pender, 6 December 1900. *Ibid.*

<sup>58</sup> Ian McKay, “Strikes in the Maritimes, 1901-1914,” *Acadiensis* 13:1 (Autumn 1983), 3.

<sup>59</sup> Letter from William McMaster to James Pender, 6 December 1900. *Stelco*, Vol. 31, File 1, “Montreal Rolling Mills Letter Book, 1899-1903.”

committee would be created between DISCO and Montreal Rolling Mills, consisting of the general manager and sales manager of each company, plus an agreed-upon arbitrator. By then both George Drummond and Edward Clouston, Montreal Rolling Mills directors who had not been actively working on the Sydney operation, began to argue against running a company in both sites. McMaster floated to John McLennan a proposal for DISCO to simply supply Montreal Rolling Mills with steel billets at cost while splitting the profits of the finished pipe 50/50. In a letter to Moxham, McMaster told him that “[o]ur committee in raising the question of doing our manufacturing here [in Montreal] do so with the desire to concentrate our business and they were of the opinion that for some considerable time Montreal would be a better shipping point than Sydney for export business.”<sup>60</sup>

The project to establish works in Sydney ultimately failed, as DISCO decided to build its own pipe mill. It had been the most ambitious project Montreal Rolling Mills envisioned in almost a half-century of existence. The episode shows us that the turn of the twentieth century was a transitional period. On the one hand, family still mattered. The project was heavily predicated on the relationship between John McLennan, *de facto* general manager of DISCO, and Hugh McLennan, a prominent director of Montreal Rolling Mills. When Hugh died and John decided to leave the iron and steel business, whatever efforts McMaster may have made to salvage the project were likely doomed. But family connections were not everything. The scale of the operations in question, in this case Montreal Rolling Mills and DISCO, were by this point so huge that the old system of alliances could not function as they did, and there were real limits to how much capital even these immense companies could deploy. But expansion was essential, and so McMaster had to figure out another way to assert dominance.

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<sup>60</sup> Letters from Arthur Moxham to William McMaster, 2 January 1901, McMaster to John McLennan, 18 January 1901, McMaster to Moxham, 29 January 1901. *Ibid.*

*Asserting Dominance II: Taking Montreal*

The failure of McMaster's larger plan to wind up Montreal Rolling Mills and create a new corporation with works in Montreal and Sydney sent him back to the drawing board. The company remained one of the largest hardware producers in the Dominion, including the largest pipe producer, and it continued to have a massive pool of capital and was supported by the most powerful businessmen in the country. Its dominance of the Canadian market was such that McMaster began to question the necessity of the combination with his competitors. The agreement with Pillow, Hersey & Co. and Peck, Benny & Co. had existed since at least 1874 and had at times included hardware manufacturers as far as Hamilton (see Chapter 3). By the last years of the nineteenth century, it was centered on the three Montreal giants. McMaster was active in trying to reform the combination, notably in 1899 proposing to James Peck to not only control prices but sales. McMaster argued that his firm had 32.5 per cent of the sales, and that he and Pillow, Hersey & Co. needed to divide the 67.5 per cent amongst themselves. Following an acrimonious meeting of the three companies on 7 February 1899, McMaster proposed to the combination "the strict observance of the prices, terms and deliveries of cut nails which we have now agreed upon and which we may agree upon." His suggestion was that the nail business be handled like a pool, where each company would be required to inform the other members of the combination by the 15th of every month, "the total number of kegs or hundred points sold during the previous month." McMaster's proposal would have any company selling more than its share be forced to pay 15 cents per 100 lbs of nails to the pool as compensation, and thus "get over all the difficulties that were spoken of during this afternoon."<sup>61</sup>

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<sup>61</sup> Letter from William McMaster to James H. Peck, 7 February 1899. *Stelco*, Vol. 30, File 1, "Montreal Rolling Mills Letter Book, 1895-1900."

The combination also made a deal with the American Steel & Wire Co., who McMaster argued “really control the Canadian business [...]” The arrangement stipulated that in exchange for them not undercutting the combination’s agreed-upon prices, the secondary manufacturers would purchase all their wire rods from American Steel & Wire. In April 1900, McMaster became frustrated at the deal, as although the Americans had been keeping up their end of the bargain, the company was incapable of stopping “jobbers” (smaller producers) from shipping to Canada at lower prices. McMaster wanted “to make our prices so as to keep out American nails [...]” by reducing prices as much as possible.<sup>62</sup>

However, the balance of power was shifting. In the first half of 1901, McMaster estimated that there were 239,000 kegs of nails sold in Canada, 48,200 kegs by Montreal Rolling Mills. This was roughly a fifth of the entire Canadian market. In August of that year, McMaster was having installed six cutting-edge Tiffin wire nail machines and was planning on installing twelve more, for a total of 71 machines at the company’s works. In a confidential letter to J. A. Farrell of American Steel & Wire Co., McMaster explained his new strategy:

We, as I have stated to you for some time, would prefer, rather than be in an association that was not lived up to, to be free, but we certainly have made more money by working in with the other makers than we would have if there had been an open market, but the time is coming when we cannot afford to be a member of the association as we are getting fast into a position that we think we can better hold our own outside of any agreement.

McMaster tried to convince Farrell that his firm should not be in the business of selling finished nails in Canada because it would be the combination’s discounted price, he should instead sell an equivalent amount of wire rods to Montreal Rolling Mills “at relatively better prices.”<sup>63</sup> The

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<sup>62</sup> Letter from William McMaster to John Greene, 26 April 1900. *Stelco*, Vol. 31, File 1, “Montreal Rolling Mills Letter Book, 1899-1903.”

<sup>63</sup> Letter from William McMaster to J. A. Farrell, 5 August 1901. *Ibid.*



combination was useful in a multipolar hardware market, but in a world where he was achieving dominance, McMaster had no more need of it.

By the first year of the new century, McMaster clearly began to see the large American operations as his primary allies and competitors, rather than James Peck and Randolph Hersey. A price war was starting as the National Steel Tube Co. began to drop the cost of its exports, which McMaster believed was “to deter us starting up the mill in Sydney [...]” He retaliated by selling off his shares of that company. To combat American dumping, McMaster also began the familiar campaign with the minister of customs, showing him US prices and demanding protection. In a letter to Fielding, McMaster insisted that the Americans “have stated, and, by the papers we attach, have shown a determination to crush out this industry in Canada.” He informed the minister of finance of his plans for the Sydney operation, as well as negotiations with the city council with regards to taxation, but lamented that Montreal Rolling Mills “have determined to take no further active steps under present conditions.”<sup>64</sup>

By April McMaster became convinced that not only was the American trust trying to prevent him from setting up his Sydney pipe mill, “but I think that they are desirous of controlling the Pipe business in North America, and have made up their minds to go in the direction that no pipe will be made in Canada.” Considering that Montreal Rolling Mills would have to practically operate at a loss to ward off US dumping, McMaster believed that “there is no object in our trying to fight them if they have made up their minds to this, and it would be better to work with them than to try and work against them.”<sup>65</sup> In May, McMaster went to New York to speak to National Steel Tube Co. directly. He learned that the main problem was his old nemesis,

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<sup>64</sup> Letters from William McMaster to A. F. Macpherson, 16 February 1900, McMaster to John McLennan, 22 February 1900, and McMaster to W. S. Fielding, 5 March 1900. *Ibid.*

<sup>65</sup> Letter from William McMaster to John McLennan, 16 April 1900. *Ibid.*

Randolph Hersey. Years earlier, Hersey had entered a partnership with George Henry Page to produce pipe at a mill leased from Jonathan Hodgson.<sup>66</sup> According to the representative of National Steel Tube Co., Hersey had been interfering in the New York export trade through his other company, Pillow, Hersey & Co., and that they believed “that it was necessary that this interference should be checked and they had made up their minds that if it was necessary they would open up a warehouses in Montreal and in the west and if that could not bring the desired result that they would go as far as putting up a mill in Canada.” The trust “had the best feelings towards” Montreal Rolling Mills, and McMaster left New York with a proposal for company directors to consider. McMaster was very careful not to step on the American trust’s toes, even checking with them as to what prices Montreal Rolling Mills should offer for certain lengths of pipe.<sup>67</sup>

While he improved the company’s relationship with American industry, McMaster continued to strengthen the city’s Manufacturer’s Association, a prominent wing of the Canadian Manufacturer’s Association. Although in 1899 it included all the larger enterprises, he believed that it would be necessary to also get smaller businesses involved, in particular considering the city’s new taxes on machinery. McMaster believed that “the manufacturers as a whole should take an interest in the personnel of the City Council. For years no interest has been taken by the manufacturers and they are now in the position that they are being taxed, I quite agree with you, unjustly, but the result of sending representatives to the Council that work in their own interests, and not in that of the City.” According to McMaster, manufacturers needed to “go to work themselves and influence other manufacturers to vote for the right men that will come out during

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<sup>66</sup> Lovell, 1900-01.

<sup>67</sup> Letters from William McMaster to John McLennan, 12 May 1900, and McMaster to D. B. McClelland, 13 June 1900. *Stelco*, Vol. 31, File 1, “Montreal Rolling Mills Letter Book, 1899-1903.”

the next election, and this Association are [*sic*] working as a body in this direction, and then you can get the Council to petition the legislature in Quebec to amend this unjust tax on machinery.”

The association also mobilized against a proposed law in Ontario, the Extra-Provincial Corporations Act, that would force the Québec government to “take the same position in regard to Companies whose headquarters are in Ontario [...]”<sup>68</sup>

By late 1902, having made his peace with the failure of the Sydney project, McMaster pivoted from creating a new national corporation to seizing control of the Montreal hardware trade.

Although he would continue to have raw materials shipped in, he would still be able to dominate the Dominion’s secondary iron and steel industry. This would not be a gradual process. In

January 1903, McMaster tendered offers to purchase Peck, Benny & Co. and Hodgson Iron & Tube Co., the latter no longer being leased to Randolph Hersey. McMaster’s offer to buy Peck’s company for \$100 per share was rebuffed, but Jonathan Hodgson agreed in principle to a buyout.

After some negotiations, and a delay due to several directors being away, both companies agreed to a deal whereby 300 shares of Montreal Rolling Mills would be exchanged for the 600 shares of Hodgson stock in circulation. In a few months McMaster had consolidated his control of the Canadian pipe market, and he immediately started evaluating “the assets and all interests of the Hodgson Iron & Tube Co and will necessarily be making changes towards minimizing the expenses that is not being incurred in the running of said company.”<sup>69</sup>

McMaster’s purchase of Hodgson meant that Randolph Hersey was now cut out of one major segment of the hardware trade (Figure 5.4). But he still controlled his most important works, his rolling mill, nail factory, and nut and bolt works that he had been operating in partnership with

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<sup>68</sup> Letters from William McMaster to W. B. Bulling, 5 May 1900, McMaster to A. Ramsay, 10 October 1899, McMaster to Ramsay, 10 October 1899, and McMaster to T. A. Russell, 30 October 1900. *Ibid.*

<sup>69</sup> Letters from William McMaster to Jonathan Hodgson, 7 April 1903, and McMaster to Robert MacKay, 7 April 1903. *Ibid.*



**Figure 5.4: Randolph Hersey after the Buyout of Pillow, Hersey & Co., 1904.**

Source: *An Encyclopaedia of Canadian Biography, Containing Brief Sketches and Steel Engravings of Canada's Prominent Men* vol. 1 (Montreal and Toronto: Canadian Press Syndicate, 1904), 59.

John Pillow since before Montreal Rolling Mills had been incorporated. Indeed, the company was the successor to Thomas Bigelow's original nail factory, the first in Montreal. But in 1903, these works were in difficulty. John Pillow had died the year before, in February 1902.<sup>70</sup> Having lost his pipe business and his longtime partner, Hersey was now willing to sell. On 12 April 1903, McMaster wrote Hersey informing him that the directors of Montreal Rolling Mills had decided to accept to buy Pillow, Hersey & Co., subject to the approval of the shareholders. The price would be \$500,000 paid in twenty year bonds of Montreal Rolling Mills stock, to be transferred "in such form and manner as may be determined by this company and on demand."<sup>71</sup> In a few short months at the start of 1903, McMaster had crushed his most redoubtable rivals, and Montreal Rolling Mills came to utterly dominate the Dominion's hardware trade.

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<sup>70</sup> William Henry Atherton, *Montreal 1535-1914*, vol. 3 (Montreal: The S. J. Clarke Publishing Company, 1914), 157-58.

<sup>71</sup> Letter from William McMaster to Randolph Hersey, 12 April 1903. *Stelco*, Vol. 31, File 1, "Montreal Rolling Mills Letter Book, 1899-1903."

*Conclusion: The Limits of Industrial Capital*

Randolph Hersey's relationship with Montreal Rolling Mills varied during his long reign. When his uncle Mansfield Holland had been kicked out of the company in 1869 after having built its rolling mill, Hersey had blamed Charles Watson, someone he seems to have privately detested. He nevertheless worked with Montreal Rolling Mills during the 1870s, even representing the nail combination during the tariff debates of the Liberal interregnum. It is not clear what he thought of William McMaster, although he did not actively try to prevent his company from being purchased by his rival. On 16 May 1903 Pillow, Hersey & Co. held a "Special Meeting of Directors," all of whom agreed to "waive all previous notice of the time, place and purpose" of the meeting. Randolph Hersey, the President, took the chair, while W. N. Near acted as secretary. The other directors present were C. R. Hosmer, E. N. Heney, Milton L. Hersey, and L. B. Pillow. Near reported that C. R. Hosmer had transferred 20 shares each to Edward Clouston, George Drummond, H. Montagu Allan, Robert MacKay, and William McMaster, the directors of Montreal Rolling Mills. This gave them all the right to vote. Hosmer then resigned, with Clouston being elected to replace him, taking his seat at the board. Next, Milton Hersey resigned, with Drummond elected in his place. Heney followed, being replaced by Allan. Pillow was next, with MacKay elected in his stead. Finally, in a separate motion, "[it] was then moved, seconded and resolved; That Mr. R. Hersey do vacate the chair, and that Mr. E. S. Clouston do take the same." Not replacing anyone, McMaster was then elected a director.<sup>72</sup> The buyout was complete, and a 45 year rivalry ended. Shortly thereafter, at 74 years old, and having

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<sup>72</sup> Pillow, Hersey & Co. Letter Book, entry for 16 May 1903. *Stelco* Vol. 454 File 17, "Insurance."

outlived both Thomas Morland and Charles Watson, Hersey would move to Guelph, Ontario, where he found success with a new pipe mill in the rapidly industrializing city.<sup>73</sup>

In the spring of 1903, Montreal Rolling Mills had expanded as far as it was possible to expand with the resources of industrial capitalism. Although its earlier efforts to transform the company into a new, national corporation failed, McMaster nonetheless quickly and successfully pivoted to the next best thing: undisputed control of the Montreal trade and dominance in the Dominion hardware market. But this was only part of McMaster's plan. For him, it was not enough to just be large, he wanted to be modern and efficient. Montreal Rolling Mills, both the old works on Notre Dame Street and those newly purchased, would be remade using state-of-the-art technology and management techniques. However, this would force the company to confront a problem that it had hitherto largely ignored: worker control of the labour process.

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<sup>73</sup> *Stelco*, "Pillow-Hersey Manufacturing Company" series, volume 125, file 6, "Extract from Autobiography Randolph Hersey, Montreal. 1913".

## CHAPTER VI

*“Drunk, sick or lazy”*

### Montreal Rolling Mills Faces the Labour Process

After Montreal Rolling Mills bought Pillow, Hersey & Co., William McMaster’s first act was to send his son Ross to evaluate the condition of their now defeated competitor’s works. Between June and September 1903, Ross McMaster kept a detailed journal of what he saw as he walked the factory floor. His investigation was meticulous and revealed serious problems with his father’s new acquisition. He found that nail and tack machines were frequently sitting idle or broken, coal improperly stored, and poor-quality nails being produced. However, he saved his most severe criticisms for the workforce. Ross noticed a consistent pattern of absenteeism throughout all departments, and even those employees that did show up were frequently inebriated. For him, workers were showing a clear lack of discipline. On 5 August he complained bitterly that the company’s employees were “Drunk, sick or lazy.”<sup>1</sup>

The dawn of the twentieth century saw an enormous transformation in both the structure of the corporation and the organization of production. As Montreal Rolling Mills expanded, it also began to modernize and rationalize its works. This meant confronting an issue that had been largely ignored since the company was formed in the 1860s: the labour process. Watson’s main interests were the cost of raw materials and maintaining high prices for the company’s products, that is to say inputs and outputs. These were activities that allowed him to build and maintain social networks with fellow businessmen and with politicians, which were usually the same people anyway. This was especially true with regards to the very acrimonious debates over tariff policy that dominated the 1870s and 1880s. Watson was much more comfortable taking trips to

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<sup>1</sup> Entry for 5 August 1903. *Stelco*, “R. H. McMaster’s files” series, volume 107, file 16.

Ottawa to meet with the minister of finance than spending time in the loud and smoky factory floor. William McMaster however was a very different individual. This chapter will show how the company began to confront the labour process, something that would eventually transform Montreal Rolling Mills into a modern firm.<sup>2</sup> This began with deciding that there was a problem that needed to be solved and taking action to solve it. The process of modernizing the company was, however, an inconsistent, messy, and most importantly long-term project. But the case of Montreal Rolling Mills shows that bourgeois Montrealers were not falling behind in the era of mass production.

### *Mass Production*

The dawn of the twentieth century witnessed a major development in the industrial system that had by then transformed North American societies. As Craig Heron memorably put it, “[f]or the men and women who punched the clock at the beginning of ten- to twelve-hour working days, this was not the age of Laurier, Borden, or King, still less the “Edwardian” era. For them this was the era of mass production.”<sup>3</sup> The radical increase in production and the consequent increased pace of work was the result of technical and managerial innovations, most notably the managerial revolution that saw salaried managers supplant owners as the primary decision-

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<sup>2</sup> The labour process describes how capitalism organizes labour for productive purposes. This was a major concern of labour historians in the 1970s and 1980s, largely inspired by influential articles by E. P. Thompson, “Time, Work Discipline, and Industrial Capitalism,” *Past and Present* 38 (December 1967), 56-97, and David Montgomery, “Workers’ Control of Machine Production in the Nineteenth Century,” *Labor History* 17:4 (1976), 485-509. One of the most important studies on the subject remains Harry Braverman’s magisterial *Labor and Monopoly Capital: The Degradation of Work in the Twentieth Century* (London: Monthly Review Press, 1979). For a more general review of the literature surrounding the labour process, see Paul Thompson, *The Nature of Work: An Introduction to Debates on the Labour Process* (London: Palgrave Macmillan, 1989 [1983]). In Canada, the most influential scholar who tackled the labour process was certainly Craig Heron. In particular, see *Working in Steel* and Heron and Robert Storey eds., *On the Job: Confronting the Labour Process in Canada* (Montreal and Kingston: McGill-Queen’s University Press, 1986).

<sup>3</sup> Heron, *Working in Steel*, 9.



makers for growing corporations.<sup>4</sup> The transformation was not sudden nor did these epochal changes happen all at once. Rather, it was a gradual process, and as we have seen, in many ways Montreal Rolling Mills can be seen almost as a transitory form of business enterprise between the old specialized private partnerships and the modern multi-divisional corporation controlled by salaried managers. William McMaster had been the main figure behind the company for years, and after the death of Charles Watson in 1890 the positions of president and managing director were permanently severed. McMaster would never be president. But once again the separation of ownership and control was never total. McMaster owned 549 shares of Montreal Rolling Mills stock at the beginning of 1900, almost three times as many as were owned by the president, Edward Clouston, and the dividend payments from that stock paid him significantly more than his salary.<sup>5</sup>

Most of the major innovations of the period were pioneered in the United States, as the southern republic was already taking its place as the world's largest and most dynamic economy. The success of the labour movement in the 1880s and 1890s caused tremendous anxiety for American industrialists, as through unionization and strikes workers began to win an increasing share of the economic pie.<sup>6</sup> Labour needed to be disciplined. Canada largely lagged behind the United States in the implementation of new management and technical systems. Heron mainly attributes this to the smaller Canadian market combined with relentless American and British competition making it difficult to achieve economies of scale.<sup>7</sup> This is certainly a big part of the explanation. But, as I have shown, class interest and the exigencies of the corporation were also an important factor. Heron himself noticed this when he quoted a history of Ontario Rolling

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<sup>4</sup> See Chandler, *The Visible Hand*.

<sup>5</sup> See Chapter 3 for the detailed discussion of the methodology used in calculating stock ownership.

<sup>6</sup> Livingston, *Origins of the Federal Reserve System*, 33-34.

<sup>7</sup> Craven, *Working in Steel*, 29.

Mills: “While due regard was paid to the price of materials purchased and to the money volume of sales, little actual record was kept of the costs of operations, and what clerical staff there was concerned itself with correspondence and other immediate affairs than with the control of the use of working capital.”<sup>8</sup> While Sven Beckert argues that bourgeois New Yorkers came to agree on an ideology of domestic industrialization, a sort of corporate *realpolitik* reigned in Canada where whatever their professed loyalties to the Empire or to the Dominion, their only meaningful loyalty was to their corporation.<sup>9</sup> This is why, as discussed in Chapter 4, Montreal Rolling Mills constantly fought with Londonderry over the tariffs on puddled bars. Bourgeois Nova Scotians and their allies were desperate to obtain tariff protections on raw iron and coal to develop those industries, but secondary iron and steel producers in Montreal were totally indifferent about the development of domestic sources of raw materials. They could obtain those much more cheaply on the British and American market, something they continued to do well into the twentieth century. More than anything, the power of the corporation nation explains the weakness of the Canadian nation’s iron and steel industry. But bourgeois Montrealers’ class interests should not be mistaken for backwardness or a fear of innovation. When technical and organizational improvements aligned with their corporate interests they could be rapidly adopted.

### *Admitting You Have a Problem*

After its purchase by Montreal Rolling Mills, William McMaster planned for Pillow, Hersey & Co. to be rebuilt into a state-of-the-art factory. Evaluating the state of the works was a crucial job, one entrusted by McMaster to his second son. Ross McMaster was born in 1880 and was educated at the Montreal High School and the Montreal Collegiate Institute. He began his career

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<sup>8</sup> Quoted in Heron, *Working in Steel*, 90.

<sup>9</sup> Beckert, *Monied Metropolis*, 306.

with the paint manufacturer Sherwin-Williams Co. in Cleveland, Ohio, and in his early twenties had already been made assistant to the vice-president and the general manager. Much like his father, Ross “was noted for his keen interest in production problems and in the most efficient use of manpower.”<sup>10</sup> William Kilbourn points out that from his early days with the company Ross McMaster “had interested himself in rationalizing the pattern of production and administration in the new company and establishing a fully modern cost system. More than anyone, he was responsible for reducing waste and inefficiency during the company’s early vicissitudes and rapid expansions.”<sup>11</sup>

These skills were learned practically, on the job, and William McMaster intended to take advantage of the experience his son had acquired during his years at Sherwin-Williams. On 24 April 1903, certainly anticipating the work the company’s rapid expansion would require, McMaster sent Ross an offer of employment to assist in the Montreal Rolling Mills office. He would be assistant to the general manager, at a pay of \$1000 per annum. McMaster’s attempt to poach his son did not sit well with Sherwin-Williams. Walter Cottingham, the Canada West-born bourgeois Montrealer who served as the company’s vice-president (and later president), wrote to McMaster, the subject reported to Ross as being “for the purpose of placing before me what he considered was best in your interests, and also that could advise you after hearing what he had to say, as to what you had better do.” McMaster responded to Ross saying that “all the information that you desired, and that after you had come to Montreal and secured all the information you desired, at that time, that the decision as to what you would or should do, was one that I could not undertake to advise you definitely what you should do under the circumstances.”<sup>12</sup> Whether

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<sup>10</sup> *The Gazette*, “Ross H. McMaster Dies Here,” 4 January 1962, 2.

<sup>11</sup> Kilbourn, *Elements Combined*, 133.

<sup>12</sup> Letters from William McMaster to Ross McMaster, 24 April 1903, 20 May 1903, and 30 May 1903. *Stelco*, Vol. 31, File 1, “Montreal Rolling Mills Letter Book, 1899-1903.”

under pressure from his father or not, Ross made his decision and accepted the offer to work at Montreal Rolling Mills, setting the stage for a career with the company and its successor *Stelco* that would last until his retirement in 1960.

On 20 May 1903, McMaster tasked Ross, then still in the employ of Sherwin-Williams, to determine the lowest prices for bolts, tacks, and staples in the United States. In addition, as part of his request “to look into the bolt and nut business,” McMaster sent along a “memorandum” on the labour costs for bolt and nut production at Pillow, Hersey & Co. McMaster then sent Ross to American Steel & Wire Co. to learn the “system adopted” in a “modern” hardware factory, with the objective “to apply the same system to the P[illow]&H[ersey] Co. dep[artments].”<sup>13</sup> At American Steel & Wire, Ross would work with James A. Farrell, then the general manager of exports for the company, which is likely why William McMaster knew him well enough to be entrusted with training his son. Less than a decade later, in 1911, Farrell would be appointed to the presidency of the United States Steel Corporation.<sup>14</sup> Friends in high places indeed.

Ross McMaster left Sherwin-Williams on 1 June 1903, and his father set up a few more visits of modern factories on his way to New York City. McMaster obtained a letter of introduction from Farrell for Ross to visit the Columbus Bolt Works in Columbus, Ohio, which was perhaps the first stop of Ross’ tour as he departed Cleveland. McMaster had also asked J. A. Rawlins of Naylor & Co. in New York for his help in “getting my son into the Russell Burdsell & Ward Bolt & Nut Co. of Port Chester, N. Y.” McMaster explained that this was because “we have secured the bolt business of Pillow, Hersey M’f’g’ Co., and as we are anxious to get into a better system

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<sup>13</sup> Letters from William McMaster to Ross McMaster, 30 May 1903, and William McMaster to J. A. Farrell, n.d. but between 13 and 14 May 1903. *Ibid.*

<sup>14</sup> *Railway Age*, “Irvin Succeeds Farrell as President of U.S. Steel Corporation,” vol. 92, no. 12 (2 January 1932), 505.

than has been previously working, and also to make it an up-to-date factory, we are anxious to get all the information that we can in regard to machinery, system, etc.”<sup>15</sup>

Ross arrived in Montreal in late June 1903 and on the 30<sup>th</sup> was sent to evaluate the newly acquired works on Mill Street, specifically the finishing departments, those producing cut and wire nails, tacks, and bolts. These types of plants did not resemble the types of Fordist assembly lines that would become symbolic of twentieth century industry. Rather, steam-powered factories like the Mill St. plant were “almost always built several stories high, with the power source centrally located on one of the lower floors. Power was transmitted to the machines by means of gears, shafts, and belts, and most of the machines were arranged in straight lines beneath the drive shafts.”<sup>16</sup> A floor plan from Hodgson’s tube threading department shows the typical layout of a late-Victorian hardware factory (Figure 6.1). Workers were typically organized into gangs, headed by a skilled worker, and overseen by a foreman. Both primary and secondary iron and steel factories were very labour intensive and usually fulfilled relatively small batches of various sizes of plate, bolts, pipes, and nails.<sup>17</sup>

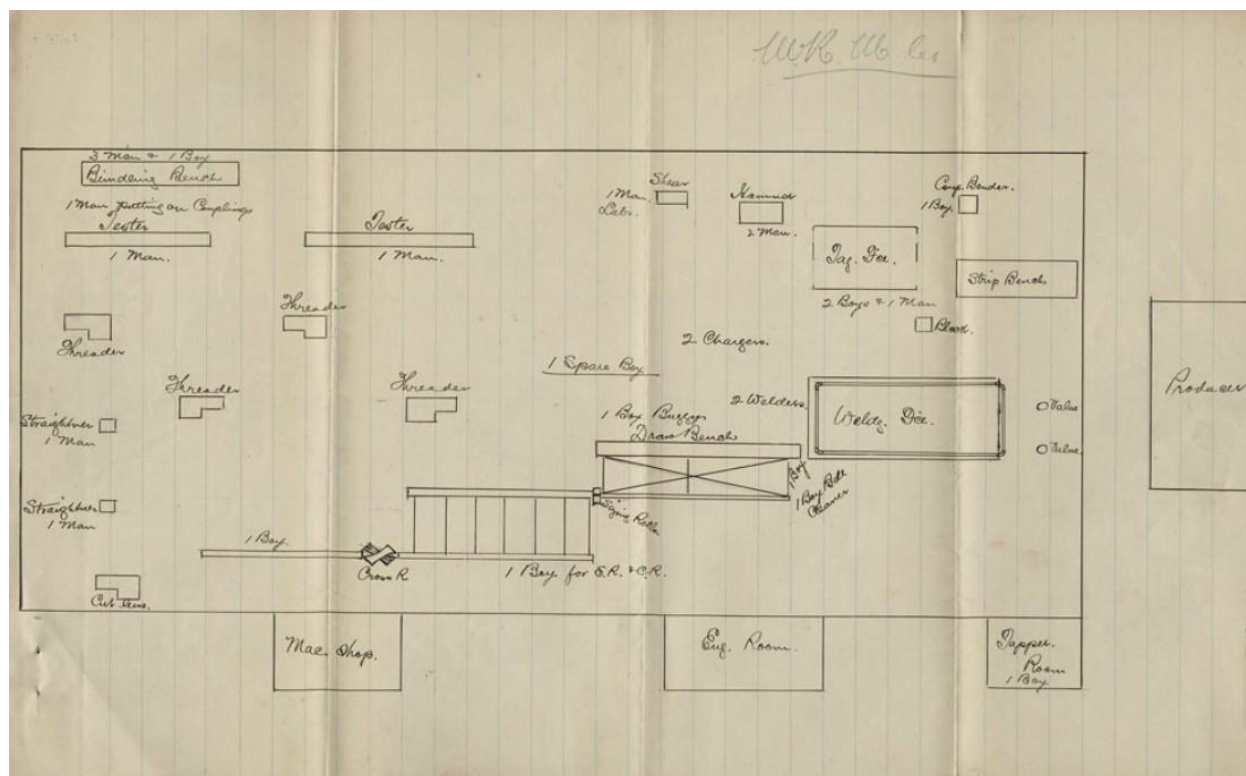
To say that Ross was unimpressed by the state of the recently acquired Mill Street works would be an understatement. Absenteeism was by far his biggest concern. On 30 July he noted that “[o]ne man present in morning left at noon another was away a[ccount] of sickness of wife & one man heading who has been ill recently had to give up before noon.” The next day, there was “ [o]ne man away sick, one left for no stated reason two didn’t turn up one a habitual absentee.” On 27 August, a “[y]oung boy [...] taking orders absented himself & expect he has dropped out.” However, the next day he wrote that the “[o]ffice is taking steps to secure another

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<sup>15</sup> Letters from William McMaster to Ross McMaster, 9 June 1903, and William McMaster to J. A. Rawlins, 6 June 1903. *Stelco*, Vol. 31, File 2, “Montreal Rolling Mills Letter Book, 1903-1909.”

<sup>16</sup> David E. Nye, *America’s Assembly Line* (Cambridge MA: MIT Press, 2013), 18.

<sup>17</sup> Heron, *Working in Steel*, 38-40, 47.



**Figure 6.1: Floor Plan of a Hodgson Iron & Tube Co. Pipe Threading Department, 1891.**

Source: *Stelco*. Vol. 116, File 1, "Hodgson Iron & Tube Co. Land and Properties."

boy and will let one who absented himself go on return." This is the only time he talks about replacing an absentee worker, probably because this was an unskilled boy in the packing department. "This is the way it goes," Ross would lament, "one dep[artment] after the other."<sup>18</sup>

Ross was also quite critical of the workers that did show up. Just after Saint-Jean Baptiste Day, he noted that there were "[t]hree men drunk one sick and no reason seemingly for the absence of others. The holiday following shortly after pay-day had an unsettling tendency and it is hoped with the last one some improvement may occur." Even a few days later, it would seem several workers were still somewhat banged up: "[s]ome of the operators had been in during morning only to quit later on. The other had not presumably recovered from holiday." Ross was

<sup>18</sup> Entries for 30 July 1903, 31 July 1903, 27 August 1903, 28 August 1903, and 2 July 1903. *Stelco*, "R. H. McMaster's files" series, volume 107, file 16.

always apprehensive after a payday, but could be pleasantly surprised, as on 27 July where he reported that “[f]or a Monday following pay day the forging dept was doing fairly well.” It would seem that the worst was a man called Bruce. On 28 July, he noted that “one or two men sick, the others off [...] or too lazy to come around. One such man Bruce who is best man they have can always be counted on as an absentee after pay day.” On 4 September he again disappeared, and “hadn't been seen around for several days.”<sup>19</sup>

In Ross McMaster's writing, machine and man were often one and the same. The full quote for this chapter's title is “[t]hings were worse off again to-day about six headers quiet and one nut machine. Drunk sick or lazy. One header still under repairs.” The worker here is not a fellow human being, but rather another input, an extension of the nail cutters and headers that dotted the factory floors. More generally, as much as workers were not doing their jobs, neither were the machines. On 7 July he wrote that in the forging department “[a]bout 6 or seven bolt headers were quiet and large rivet machine as well as two nut machines.” For Ross, a good day was when there were only a few were not running, as when on 16 July when he noted that things were “in very good shape, one nut machine only not working and two headers besides the rivet machine under repair.”<sup>20</sup> In all, Ross visited the works 49 times in the summer of 1903, and in all 49 of his reports he complained about machines being idle. Only nineteen times did he write that a machine was shut down for repairs. Day after day, for whatever reason, there was simply no one running them.

Safety was a concern as well. On 7 August, Ross noticed some serious issues with the Mill Street works: “using city water for some of the machines not metered & from connections of sprinkler system Clapp states pump not efficient & has to do this pending installation of another.

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<sup>19</sup> Entries for 30 June 1903, 2 July 1903, 27 July 1903, 28 July 1903, and 4 September 1903. *Ibid.*

<sup>20</sup> Entries for 5 August 1903, 7 July 1903, and 16 July 1903. *Ibid.*

Says has spoken of matter to Mr Derrick Presume if detected we would be open to a fine.”

Further, there was “a room above wire drawing dept[artment] where I judge men lunch which is in wretched shape, littered as I saw it with paper, rope and odds & ends. I notice an absence of fire pails throughout warehouse & factory. Are we not supposed to provide them[?]”<sup>21</sup> Of course this was a very real concern, especially after Montreal Rolling Mills had suffered yet another devastating fire only a few years prior to the purchase of Pillow, Hersey & Co. The March 1900 fire had been quite serious, causing tens of thousands of dollars of damage to the main rolling mill, and putting 300 employees out of work, though thanks to the quick response of the Montreal fire brigade the company’s other works were left untouched and the company was fully insured.<sup>22</sup>

Ross’ opinion of the works Montreal Rolling Mills had acquired can be summed up by his note from 27 July: “[t]hings worked around to about normal to-day with three headers & three nut machines quiet. Two repairs, 2 drinkers and other two either that or laziness.”<sup>23</sup> Perhaps they were drunk, perhaps they were lazy, maybe they were both, but what they were also doing was showing a measure of control over how production was organized. Alcohol consumption was perhaps the least surprising problem Ross identified, and also likely the most intractable. Drinking on the job was generally tolerated well into the twentieth century. At Montreal Rolling Mills, employees typically “brought their two meals in the top of a large bucket, with half a gallon of beer, officially recognized as 'tea,' sloshing in the bottom.”<sup>24</sup> A former employee, Ted Moreman, recalled that “[t]he men from the rolling mill, they worked 20 minutes on and 40

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<sup>21</sup> Entries for 7 August 1903, and 3 July 1903. *Ibid.*

<sup>22</sup> “Rolling Mills Consumed,” *The Montreal Daily Witness*, 26 March 1900, 5; “Rolling Mills Fire,” *The Montreal Daily Witness*, 27 March 1900, 5; “A Destructive Fire in Montreal,” *The Quebec Chronicle*, 25 March 1900, 1.

<sup>23</sup> Entry for 28 July 1903. *Stelco*, “R. H. McMaster’s files” series, volume 107, file 16.

<sup>24</sup> Kilbourn, *The Elements Combined*, 26.



minutes off, because of the heat, they were subjected to intense heat. And in their 40 minutes off they'd all run over to the tavern and have a couple of beers, and the company tolerated that for a while."<sup>25</sup> In 1910 a foreman in a Hamilton factory told a parliamentary committee that "if he stopped the men from drinking during working hours [...] half of them would walk off the job."<sup>26</sup>

The tolerance of absenteeism is perhaps explained by the nature of the hardware manufacturing trade in Montreal. Agents in southern Ontario, Manitoba, and other places, would take most of their orders through the winter, while the factories in Montreal then spent the spring and summer fulfilling them. Ross noted that most workers at Pillow, Heresy & Co. were paid piece rates.<sup>27</sup> This is consistent with what we know about how labour was organized at Montreal Rolling Mills towards the end of the nineteenth century. Charles Watson rarely if ever mentioned workers in his correspondence nor were labour issues much of a concern for the board of directors during his reign. William McMaster, however, was far more interested. In January 1890, he sent a list of wages for the previous year to Milard Derrick, his foreman and later superintendent, to "guide" him in making "arrangements in wages for running the Rolling Mills for this year [...]" This is the first document that gives us an idea of how workers were being paid and what those wages were. Even by 1890 tasks in the company's numerous departments were remarkably specialized. The 18" rolling mill, for example, included teams of workers handling heating nail plate and scrap nail plate pieces, running the scrap furnace, and several different specialized tasks in the actual rolling process, including catchers and hooker ups. It also included ashmen, boiler men, and several other groups of workers. All these were paid in different ways. Heaters and rolling mill operators were paid in piece rates, either by the long ton

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<sup>25</sup> Quoted in Steven High, *Deindustrializing Montreal: Entangled Histories of Race, Residence, and Class* (Montreal and Kingston: McGill-Queen's University Press, 2022), 60.

<sup>26</sup> Quoted in Craig Heron, *Booze: A Distilled History* (Toronto: Between the Lines, 2003), 82.

<sup>27</sup> Entries for 28 July and 13 August 1903. *Stelco*, "R. H. McMaster's files" series, volume 107, file 16.

(2240 lbs) or by the number of sheets (typically six). Different tasks would pay different rates: workers heating nail plate made 95 cents per long ton, while those heating scrap made \$1.14. On the 18" rolling mill, catchers made \$1.65 for six sheets of plate, while hooker ups made \$1.20. Not all workers were paid by the piece, however. Ashmen and boiler haulers, for example, were paid by the day (\$1.25 and \$1.50 per day respectively). Company blacksmiths were the highest paid employees not at piece rates, making \$2.00 a day. Workers running nail cutting machines were also paid at piece rates in 1890, but they were paid by the short ton (2000 lbs) rather than the long ton.<sup>28</sup> There was thus extraordinary variance in both wages and in payment systems within a single factory, and even within departments of that factory.

What explains the difference in pay types between piece rates and day wages was experience and skill. In February 1888 Eugene Hersey, Randolph's son and general superintendent of Pillow, Hersey & Co.'s Mill Street works – the works Ross McMaster investigated a decade and a half later – gave testimony to the Royal Commission on the Relations of Labour and Capital. When asked about the wages of boys and girls in the employ of the company, who were typically 14 or 15, Hersey explained that they were paid 50 cents to \$1.00 by the day. According to Hersey, "[w]e generally hire them, and pay 50 cents a day while they are learning to run the machines. We assume the loss in doing that, so as to get them to learn to do the work as quickly as possible. After that, they are placed on piece work." He added that it could take a few days to a few weeks to learn the machines, and that workers "never care to go on piece work until they are able to make more than they are receiving on day work."<sup>29</sup>

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<sup>28</sup> Letter from William McMaster to M. Derrick, 6 January 1890. *Stelco*, Vol. 28, File 1, "Montreal Rolling Mills Letter Book, May 79 - 1894."

<sup>29</sup> Testimony of Eugene Hersey, 16 February 1888. "Royal Commission on the Relations of Labour and Capital." Evidence Quebec Part I (Ottawa: Printed for the Queen's Printer and Controller of Stationery, 1889). Canada, 303-306.

These two factors, the seasonal nature of the trade with orders mainly fulfilled in the spring and summer, and the prevalence of piece work mainly for skilled workers like nail cutting machine operators, largely explains why Pillow, Hersey & Co. tolerated absenteeism as much as it did. As they were fulfilling established orders and being paid by the piece, what difference did it make to the company's directors if a worker took a few days off but still produced the number of short tons of nails that were required to fulfill the company's orders? Skilled workers could go even further by hiring their own assistants. During his testimony to the Royal Commission, Hersey was also asked if the boys were employees of the company or other workers. He answered that [t]hose who work by the piece are employed by the firm, and some few of them by the men." Those employed by other workers were paid out of the worker's wages, and presumably the extra volume of nails the worker could produce with an assistant more than made up for losing a part of his pay. The subcontracting of part of the productive process was also tolerated by the company, and although Hersey argued that the company was not responsible for subcontracted wages, they "assumed the responsibility, when the men did not choose to pay – only on one occasion. We paid the boy out of the man's wages, and gave him the balance."<sup>30</sup>

This workforce certainly does not look like a disciplined industrial proletariat. In fact, it could almost be said to share more with artisan handicraft workers. In a 1940 study of the American coopering industry, quoted at length by Gregory Kealey to illustrate "the old-time cooper's life style,"<sup>31</sup> Franklin E. Coyne describes that

Early on Saturday morning, the big brewery wagon would drive up to the shop. Several of the coopers would club together, each paying his proper share, and one of them would call out the window to the driver, 'Bring me a goose egg', meaning a half-barrel of beer. Then others would buy 'Goose Eggs' and there would be a merry time all around ... Saturday night was a big night for the old time cooper. It meant

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<sup>30</sup> *Ibid.*

<sup>31</sup> Gregory S. Kealey, *Toronto Workers Respond to Industrial Capitalism 1867-1892* (Toronto: University Press, 1980), 53.

going out, strolling around town, meeting friends usually at a local saloon, and having a good time generally after a hard week's work. Usually the good time continued over Sunday, so that on the following day he usually was not in the best condition to settle down to the regular day's work. Many coopers used to spend this day sharpening up their tools, carrying in stock, discussing current events and in getting things in shape for the big day of work on the morrow. Thus Blue Monday was something of a tradition with the coopers, and the day was also more or less lost as far as production was concerned. 'Can't do much today, but I'll give her hell tomorrow,' seemed to be the Monday slogan. But bright and early Tuesday morning 'Give her hell' they would, banging away lustily for the rest of the week until Saturday, which was pay day again, and new thoughts of the 'Goose Eggs.'<sup>32</sup>

This example of "old time" workers is far closer to what Ross McMaster was seeing at the Pillow, Hersey Co. works, suggesting that old craft traditions persisted in the twentieth century, a result of the Victorian bourgeoisie's disinterest in engaging with the working class. Orders were filled, profits were made, and bourgeois Montrealers could continue to concentrate their attention on fellow members of their class away from the smoke and noise of the factory floor.

As Ross himself recognized in his journal, "[the employers] have no control whatsoever over the men and instead of running them[, the men] run the establishment due I feel to continued lack of discipline." He also complained that the boys in the threading room, "lack proper supervision in the way of keeping boys at machines. Despite [the] fact that they are on piece work their natural inclinations are toward shirking work and they require to be kept at it. I frequently come in when many are in groups and away from machines. Will mention to Clapp quietly and will see if cannot improve matters."<sup>33</sup> You would think that George P. Clapp, superintendent of the Mill Street works, would run a tighter ship. By 1903 he had almost forty years of experience managing manufacturing enterprises in both the United States in Canada. In 1895, he wrote an article published in *The Iron Age*, the most prominent journal of the North American

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<sup>32</sup> Franklin E. Coyne, *The Development of the Cooperage Industry in the United States, 1620-1940* (Chicago, 1940), 24. Quoted in Kealey, *Toronto Workers*, 53-54.

<sup>33</sup> Entries for 2 July 1903 and 28 July 1903. *Stelco*, "R. H. McMaster's files" series, volume 107, file 16.

metallurgical industry, where he argued for the importance of hiring “steady, reliable men and pay them wages that will insure [*sic*] long and faithful service.” He argued, while being in the employ of John Pillow and Randolph Hersey, that “a large percentage of manufacturers and superintendents are sadly deficient in the qualifications necessary for the successful prosecution of manufacturing enterprises.” Furthermore, Clapp believed that “[t]here is no more excuse for the manufacturing manager to neglect keeping his machinery in running order than there is for the captain of the ship or the engine driver to neglect his duty.” Managers like himself were crucial for the success of a company, because “[t]he manufacturer is not generally in a position to judge the merits of his employees: he has no time to look into the details of the mechanical routine of the work, and trusts entirety to his manager.”<sup>34</sup> Here Clapp echoed what Walter Bagehot wrote in 1873, and something that characterized the mid-Victorian Montreal bourgeoisie: “[h]ardly any capital is enough to employ the principal partner’s time, and if such a man is very busy, it is a sign of something wrong. Either he is working at detail, which subordinates would do better, and which he had better leave alone, or he is engaged in too many speculations, is incurring more liabilities than his capital will bear, and so may be ruined.”<sup>35</sup> In other words, the fact that a bourgeois Montrealers like Charles Watson and Randolph Hersey did not concern themselves with the actual day-to-day running of their companies was, perhaps counterintuitively, a sign that they were doing a great job.

David Montgomery argues that by the late nineteenth century, workers “had internalized the industrial sense of time, they were highly disciplined in both industrial and collective behaviour, and they regarded both an extensive division of labor [*sic*] and machine production as their

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<sup>34</sup> *The Iron Age*, “Manufacturing,” 7 November 1895, 944.

<sup>35</sup> Walter Bagehot, *Lombard Street: A Description of the Money Market* (New York: Charles Scribner’s Sons, 1897 [1873]), 214-215.

natural environments.[...]”<sup>36</sup> What Ross saw as a bunch of lazy drunks was actually a workforce that had “functional autonomy” over the organization of labour, and it is precisely this that the McMasters wanted to combat. Clapp was no fool. For that matter, neither was Hersey, although his class position obviously distanced himself from the factory floor. But Hersey had been in the business since the 1850s, and he knew how a nail factory operated. Clapp and Hersey could see the same things that Ross saw. However, they did not see it as a problem, it was just the way things worked; they still made money after all. They employed highly skilled workers that were difficult to replace, especially if management did not have the necessary knowledge to train replacements. Clapp believed that “[h]elp that is constantly going and coming is the most ruinous of all, and the employer is greatly to blame for this evil, from the fact that employees are not selected for their intelligence, sobriety and knowledge of the work required of them, but because they can be got cheaply.” Skilled workers needed to be retained, and high turnover avoided.

Clapp wrote of an incident he had witnessed to illustrate his point:

A foreman holding an important position came of the works under the influence of liquor. The manager complained of work being done. Without provocation the man raised a hammer to strike the manager. After a struggle the man was disarmed and made to return to his work. The circumstances were reported to the owners, who gave peremptory orders for the man’s discharge. The manager refused to do as requested, on the grounds that no other man could be secured for this special work. A good man was immediately put on to learn this special business, and three months after the hammer incident the man was discharged. By this judicious action on the part of the manager the company’s interests were protected, and the manager gained a victory over himself that was more valuable than gold.<sup>37</sup>

The episode that Ross describes with Bruce speaks volumes: the company’s best worker was the one most often absent. Clapp called it “special business” and “special work,” but he was essentially confirming Big Bill Haywood’s contention that “[t]he manager’s brains are under the

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<sup>36</sup> Montgomery, “Workers’ Control,” 487.

<sup>37</sup> *The Iron Age*, “Manufacturing,” 7 November 1895, 944.

workman's cap."<sup>38</sup> New hires often lacked the skill and experience needed for the proper functioning of the works, as when Ross wrote on 21 July that "[t]he new bolt header from over the line proves to be a novice and does not know enough to keep fuel in order."<sup>39</sup> As Bagehot argued in the 1870s, the role of company directors was "general wisdom," and so skilled workers were allowed to maintain "functional autonomy."<sup>40</sup> Bourgeois Montrealers managed their companies based on their cultural assumptions and class interests. They were happy to allow their lessers to manage the actual process of production, while they met with businessmen and politicians who they considered their social equals. It took a new generation of managers to decide that there was a problem that needed fixing and take steps to fix it. But that required getting their hands dirty.

The example of Ross McMaster's journal illustrates several major themes of the early twentieth century factory. First, the process of modernizing a company started with deciding that there was a problem that could be solved, and that the definition of what was a problem depended on class. For workers, at least skilled workers, the existing system, where they had a good deal of functional autonomy, was certainly a good thing. It only became a problem when managers decided that production would be more profitable without that autonomy. Second, much of the modern management techniques that would start to be imposed at Montreal Rolling Mills were obtained practically, rather than from a university or by reading the most current scientific research. Managers were often figuring it out as they went along, in this case, by physically going to investigate how another company was doing it. Third, this was a very messy, inconsistent, and most importantly long term process. As the company was being reorganized in

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<sup>38</sup> Quoted in Montgomery, "Workers' Control," 485.

<sup>39</sup> Entry for 21 July 1903. *Stelco*, "R. H. McMaster's files" series, volume 107, file 16.

<sup>40</sup> Bagehot, *Lombard Street*, 214; Montgomery, "Workers' Control," 487.

the first decade of the twentieth century, William McMaster redoubled his efforts to discipline labour and modernize the company's expanded works.

### *Modernizing the Works*

William McMaster's major acquisitions in the first half of 1903 vastly expanded both the size and complexity of the company's operations. After acquiring Hodgson he wrote that he needed to "systematize the workings of the two companies [...]"<sup>41</sup> By May 1903, Montreal Rolling Mills had not two but four main works: the Notre Dame Street works, the company's main site since 1868; the St. Patrick Street plant, which included the Pillow, Hersey & Co. rolling mill; the Mill Street plant, site of the Pillow, Hersey & Co. nail, bolt, and tack factory; and the St. Henry works, the former Hodgson Iron and Tube Co. (Figure 6.2).<sup>42</sup> The first step in integrating these disparate operations would be to ensure continuity by replacing the boards of directors of Hodgson and Pillow, Hersey with the directors of Montreal Rolling Mills, something McMaster had already recommended to Edward Clouston in May.<sup>43</sup> After this, although all three companies were still technically separate enterprises, they were all run by the same board of directors, with Clouston as president and McMaster as vice-president and managing director.

McMaster now ran all three units and turned to local management. The Notre Dame works needed no changes as the superintendent Milard Derrick had been with Montreal Rolling Mills for decades. George Clapp was certainly seen as an asset and McMaster sought to retain him as

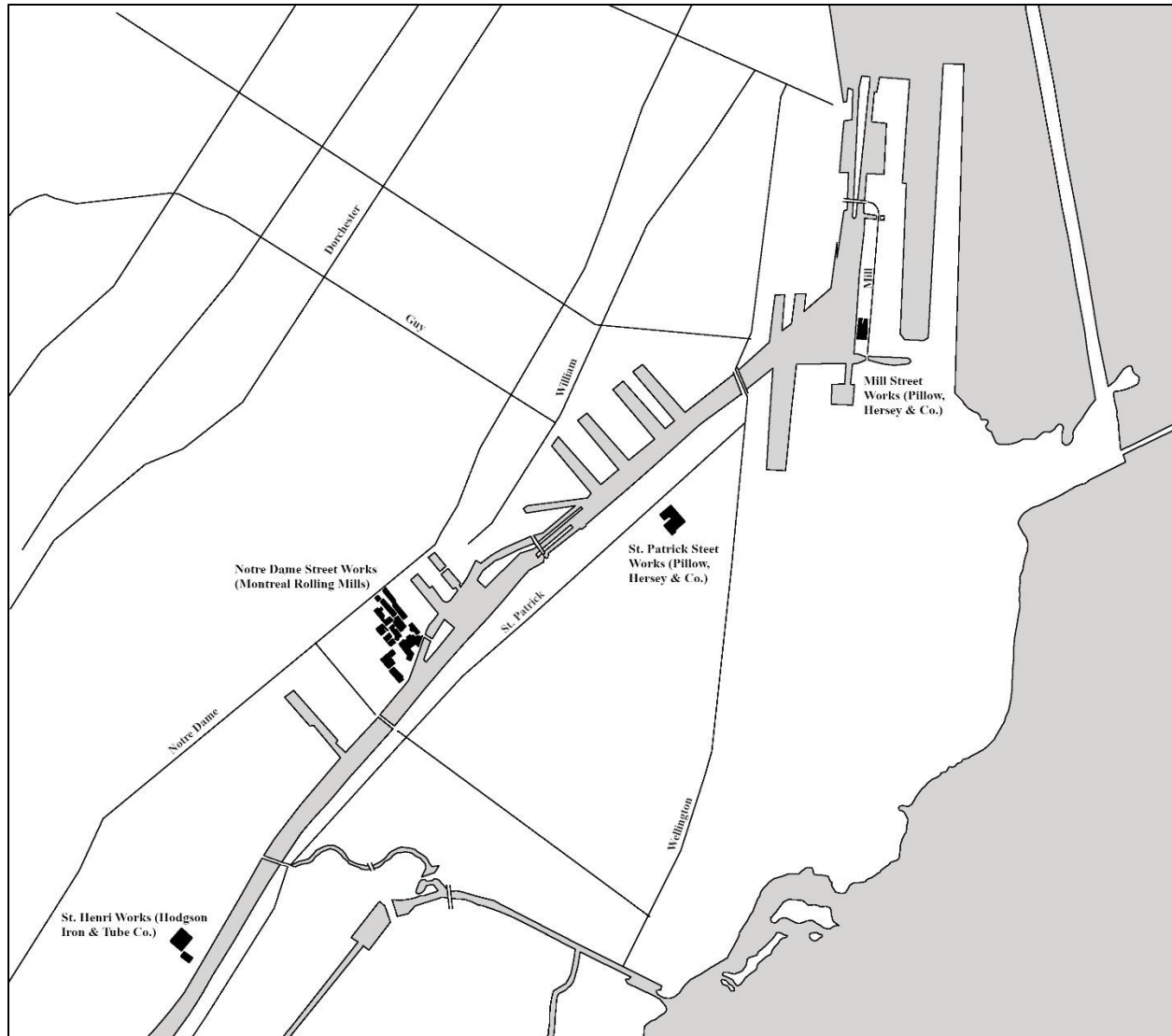
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<sup>41</sup> This quote specifically related to making sure scrap prices were the same through the company's different units, but it clearly reflects McMaster's broader intentions in 1903. Letter from William McMaster to J.Arthur Gingras, 18 May 1903. *Stelco*, Vol. 31, File 1, "Montreal Rolling Mills Letter Book, 1899-1903."

<sup>42</sup> Montreal Rolling Mills' main site was usually called the Notre Dame works or plant after the 1903 acquisitions, but in company's valuation documents compiled for the Stelco merger, it was called the "St. Cunégonde Plant." After the merger however, "Notre Dame" was usually used until the works' closing in 1986. *Stelco*, Vol. 110, File 3, Plant Appraisal."

<sup>43</sup> Letter from William McMaster to Edward Clouston, 13 May 1903. *Stelco*, Vol. 31, File 1, "Montreal Rolling Mills Letter Book, 1899-1903."





**Figure 6.2: Location of Montreal Rolling Mills Owned Works, 1903.**

Source: Charles E. Goad, Map of the City of Montreal, Prepared Expressly for Lowell's Montreal Directory, for 1903-04 (Montreal: Lowell, 1904).

superintendent of the Mill Street works after his contract ended the following January. He did explain that Montreal Rolling Mills did not offer long-term contracts to management staff, but rather asks for a three month notice if they intend to leave, and that the company was committed to offering the same if they are to be relieved of their duties. Clapp accepted and remained in

charge of the Mill St. works.<sup>44</sup> For the St. Henry works, even though John C. Hodgson had sold his stock in the company in the acquisition, he was retained as manager of the operation, and McMaster appointed his son Arthur as secretary.<sup>45</sup> Like Ross, Arthur had been sent to gain specialized knowledge in the United States, in his case being sent to work at Etna Iron & Tube Works in Allegheny, Pennsylvania after earning his baccalaureate in science at McGill in 1900. Etna had been “re-constructing their place and making a modern Pipe Mill of it,” and McMaster intended Arthur to learn the latest processes which at the time would have served at the company’s proposed Sydney works, having previously gotten “practical experience” at the Montreal Rolling Mills machine shop as well as at Dominion Coal Co. Although as we have seen the Sydney project fell through, Arthur McMaster’s skills would be invaluable after the acquisition of Hodgson. Lower-level office staff at Hodgson were however given a one-month notice that they were to be laid off as soon as the company’s purchase was finalized. Weeks before the acquisition of Pillow, Hersey & Co., McMaster had already offered the job of managing the St. Patrick Street works to Thomas G. MacKay of New Glasgow, Nova Scotia, with a salary of \$2000 annually. He accepted the offer and was officially appointed on 18 May.<sup>46</sup> With the board of directors of the three works now made up of the same people and managers appointed to each department, the administrative structure for the enlarged company was fully integrated, all before the end of the summer.

While his father was reorganizing the company’s administration, Ross McMaster started making immediate changes to modernize the Pillow, Hersey & Co. works. Within just a few

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<sup>44</sup> Letter from William McMaster to George P. Clapp, 18 August 1903. *Stelco*, Vol. 31, File 2, “Montreal Rolling Mills Letter Book, 1903-1909.”

<sup>45</sup> *Lovell*, 1903-04 and 1904-05.

<sup>46</sup> Letters from William McMaster to John McLennan, 16 August 1900, McMaster to Robert MacKay, 7 April 1903, McMaster to Thomas MacKay, 22 April 1903, and McMaster to “Who it May Concern,” 18 May 1903. *Stelco*, Vol. 31, File 1, “Montreal Rolling Mills Letter Book, 1899-1903.”

weeks of his mission, he was already installing a system of “cards & tallies to follow factory orders,” and wanted “to try to work out a check on weighing later on as this seems something into which errors intentional or otherwise might easily creep.” Since most skilled workers were being paid at piece rates, ensuring that completed nails and tacks were accurately weighed was essential. Ross was particularly interested in formalizing processes, reorganizing management, and improving supervision. The pay system was an important element. Ross noted, for example, that the Pillow, Hersey & Co. superintendent had authorized a 20 per cent pay advance for an employee but believed that such matters “should be left in hands of management [...]” Besides evaluating the state of the machinery, he also visited the timekeeper’s office to see how wages were paid out, while suggesting that supplies needed to be charged by departments more than once a month to “ease work ahead.” Ross also got to work improving the supply of coal, having “built an inaligned runway & platform replacing old to drive coal carts up & dump in pile, S-W Corner of yard.”<sup>47</sup>

Ross McMaster also started to move things around. Here, he greatly benefited from having access to Clapp’s experience. When Ross considered moving nut machines, Clapp anticipated “a great deal of trouble in connection with punching of holes stating that these require to be so precise as to make it a difficult matter to turn machines apart from bolt factory where nuts are to be used and unless extreme care is taken we will find ourselves with a lot of useless stock on our hands or compelled to make use of unsatisfactory nuts causing increase in cost of tapping.” To prove his point, a few days later Clapp brought to Ross a sample of nuts that were produced at the Saint Patrick works, in a department not dedicated to nut production. They were “poor stock cracked, improper punching and burring holes of different size top not corresponding with

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<sup>47</sup> Entries for 28 July 1903, 28 July 1903, 21 July 1903, and 11 August 1903. *Stelco*, “R. H. McMaster’s files” series, volume 107, file 16.

bottom and other imperfections.” This convinced Ross that the samples “do not speak very favorably for such a change.” One of the major projects was reorganizing production between the Notre-Dame Street, Mill Street, and Saint Patrick Street works. William McMaster had requested that Ross make of list of the better “nail men” who his father “might consider for places on transfer of machines.” These would be a “good set of men will turn up regular and keep machines going to capacity. Tack men are exceptionally good men should stay and keep dept[artment] in very good shape.”<sup>48</sup> Thanks to Ross’ journal surviving in the records, we have far more detailed information about William McMaster’s plans for modernizing the Mill St. works, but it is clear that he had similar designs on Hodgson, even calculating after its acquisition that it would cost \$12-13,000 to bring it up to speed with the most modern machinery and techniques.<sup>49</sup>

Although William McMaster’s main concern in 1903 was integrating his major acquisitions, being so busy that he had to turn down the personal request of the president of the Montreal Board of Trade to be one of the Board’s representatives at the upcoming meeting of the Canadian Manufacturers’ Association “on account of very important business detaining me in Montreal,” he still remained quite interested in the labour process. For example, he became concerned after reading a report from one of his “furnace-men” that it took more coal than necessary to keep the furnace going. He gave instructions to workers that he had “deployed a furnace-man to look after the furnace, him telling me they open the damper and consume an unnecessary amount of coal, and, as I am paying him to look after them, it is unnecessary for any one else to interfere with the running of them.” He was also not above rewarding particularly good workers as when two

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<sup>48</sup> Entries for 5 August 1903, 5 August 1903, 5 August 1903, 29 July 1903, and 29 July 1903. *Ibid.*

<sup>49</sup> Letter from McMaster to Robert Mackay, 20 January 1903. *Stelco*, Vol. 31, File 1, “Montreal Rolling Mills Letter Book, 1899-1903.”

storemen, H. Bartlett and P. Griffin, were said to be “careful men in their work” and were also “laying off orders [...]” As encouragement, he authorized A. P. Bailey, head of the tack works, to give them a raise up to \$11 and \$10 respectively per week.<sup>50</sup> This was the carrot, but there would also be a stick. McMaster also established a system whereby any defects could be traced to a specific employee. By 1909, for example, every reel of barbed wire had “a number stamped in the wood, which indicates to us who was the Operator making that particular coil of Wire, and by examining the reel, and taking a memorandum of what this number is and advising us along with complaint, it will enable us to trace who was responsible for the Wire going out in an unsatisfactory condition.”<sup>51</sup> We can guess what would happen to the worker who was deemed to be responsible for a customer complaint.

### *Injury and Death in the Turn of the Century Factory*

During his testimony to the Royal Commission on the Relations of Labour and Capital in 1888, Eugene Hersey was specifically asked by the commissioners about workplace accidents. Hersey initially answered that accidents were “[v]ery seldom. We have had one or two accidents, but they have not been serious.” When pressed for more details, Hersey pointed out that “on those two occasions, accidents were due to the boys themselves, doing what they had no right to do. In one case, a boy was trying to see how far he could put his fingers into the machine without getting caught. He got caught, and his hand was taken in and the ends of some of his fingers were taken off.” When asked by the commissioners if there had ever been accidents with hoists or beltings, Hersey answered that “[y]es; we had an accident in connection with the hoist, and we

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<sup>50</sup> Letters from William McMaster to George Hadrill, 24 April 1903, McMaster to J. Cooke, 7 January 1903, and McMaster to A. P. Bailey, 4 June 1903. *Ibid.*

<sup>51</sup> Note by A. J. Wood, 27 October 1909. *Stelco*, “Price Lists” series, volume 27.

had, also, one to a man while putting on a belt. We generally use a stick to throw the belt on; but in this case, the man piled a couple of boxes, and jumped up to put the strap on. His hand was caught in the belt and he was thrown over the belt, and one of his arms broken.” He was then asked about the accident with the hoist, and Hersey explained that “[a] man went to the top flat, and a door closed behind. He opened the door again, never looking where he was, and fell down the hoist. This was due to his own negligence.” When asked by the commissioners if the worker was killed, Hersey replied that “[n]o; he broke his arm. On another occasion a man broke his leg. That was caused by the man falling as the hoist was going up, and as the hoist came down it caught him.”<sup>52</sup>

The late nineteenth and early twentieth century factory was a dangerous place. Although improvements had been made to safety since the birth of industrialization, every time a worker crossed the threshold into a rolling mill or nail manufactory, he was risking his life. As Ian McKay has shown, before the late 1890s injury and death in the workplace were thoroughly normalized.<sup>53</sup> The revolution being ushered in by manufacturers like William and Ross McMaster radically increased the pace of work. Furthermore, rationalizing productive processes and attacking old craft expertise to cut costs led to a deskilling of the workers operating machinery. New, more advanced machinery “brought not only greater volume of production from the new factories, but also greater speed and intensity, and for the workers, greater pressure to keep up.”<sup>54</sup> Perhaps inevitably, industrial enterprises saw a vertiginous rise in workplace injuries. According to statistics from factory inspectors, between 1889 and 1894 an average of

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<sup>52</sup> Testimony of Eugene Hersey, 16 February 1888. “Royal Commission on the Relations of Labour and Capital.” Evidence Quebec Part I (Ottawa: Printed for the Queen’s Printer and Controller of Stationery, 1889). Canada, 303-306.

<sup>53</sup> McKay, *Reasoning Otherwise*, 13-14.

<sup>54</sup> Heron, *Working in Steel*, 48.

54.2 accidents took place in Québec's manufactories. Between 1904 and 1909, the average had ballooned to 561.6 per year. And provincial factory inspectors massively undercounted the number of accidents, likely because of the unsurprising lack of transparency from industrialists.<sup>55</sup>

No records exist for injuries at Montreal Rolling Mills before 1907, when William and Ross McMaster's efforts at rationalization led to improved record-keeping, especially with regards to out-of-court settlements for injuries sustained on the job. In 1907, two sets of documents together give a sense of the dangers that greeted workers at the company's four works: first, a series of out-of-court settlements for injuries; second, a unique list of workers treated at the Montreal General Hospital affixed to a letter sent to Ross McMaster. The number of injuries that we can calculate in a single enterprise in a single city underlines the extent of the factory inspectors undercounting (Table 6.1). That year alone, there were 37 recorded injuries serious enough for the worker to be forced to be treated at the hospital and in some cases be compensated by the company to avoid the risk of a lawsuit. The type of injuries was quite evenly distributed: five broken or fractured bones, eight crushed limbs or members, and seven cuts or bruises. The most common injury was burns, with nine workers needing to be hospitalized due to the hazards of working with heated iron and steel. The most dangerous period to work at the works was certainly the busy summer months, as production would ramp up to fulfill orders taken during the winter and spring. Over one third injuries were suffered in only two months, July and August, when machinery was run at the most merciless speed.<sup>56</sup>

For William and Ross McMaster, the relentless pace of their rationalizing works also caused worry, as an injured worker could potentially threaten their profits through a lawsuit. This was

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<sup>55</sup> Andrew Stritch, "Power Resources, Institutions and Policy Learning: The Origins of Workers' Compensation in Quebec," *Canadian Journal of Political Science / Revue canadienne de science politique* 38:3 (September 2005), 555.

<sup>56</sup> *Stelco*, Vol. 5, File 28, "R. H. McMaster's Files," and Vol. 454 File 17, "Insurance."

Table 6.1: List of Workers Injured at Montreal Rolling Mills, 1907

| Date of Injury | Name of Worker  | Department         | Injury                       |
|----------------|-----------------|--------------------|------------------------------|
| 1907-01-07     | Telford, C.     | St. Patrick St.    | Eye injured                  |
| 1907-01-16     | Belvotte, J.    | Notre-Dame St.     | Shoulder, face & arms burned |
| 1907-01-24     | Papin, Jos.     | Notre-Dame St.     | Broken arm                   |
| 1907-02-06     | McCullough      | Notre-Dame St.     | Broken nose                  |
| 1907-02-08     | Cusanzo, F.     | Notre-Dame St.     | Face & arms burned           |
| 1907-02-22     | Huntley, C.     | St. Henry          | Broken arm                   |
| 1907-03-01     | Brennan, A.     | St. Henry          | Cuts on neck & side          |
| 1907-03-14     | Gravel, Louis   | St. Henry          | Crushed hand                 |
| 1907-03-22     | Reems, J.       | St. Henry          | Fingers cut                  |
| 1907-05-22     | Winekus, J.     | St. Henry          | Left arm & shoulder bruised  |
| 1907-06-20     | Parr, Wm.       | Notre-Dame St.     | Eye burned                   |
| 1907-07-04     | Belisle, J.     | Notre-Dame St.     | Crushed finger               |
| 1907-07-08     | Merineau, C.    | Notre-Dame St.     | Cut on head                  |
| 1907-07-08     | Normandin, Geo. | <i>Unspecified</i> | <i>Unspecified</i>           |
| 1907-07-11     | Korketoboy, Y.  | St. Patrick St.    | Burns on back & hips         |
| 1907-07-11     | Krokus, A.      | Notre-Dame St.     | Crushed fingers              |
| 1907-07-11     | Rossi, A.       | St. Patrick St.    | Burns on back, hip & arms    |
| 1907-07-12     | Appa, V.        | St. Patrick St.    | Burns on face & arms         |
| 1907-07-12     | Desocio, G.     | Notre-Dame St.     | Crushed toe                  |



|            |                     |                |   |  |
|------------|---------------------|----------------|---|--|
| 1907-07-17 | Bougie, J.          | Notre-Dame St. | Foot crushed  |  |
| 1907-08-03 | Klemkowicz, Michael | St. Henry      | Burned on left index where bone is exposed on little finger of right hand, and on his left foot |  |
| 1907-08-15 | Mailloux, A.        | Notre-Dame St. | Fingers injured   |  |
| 1907-08-20 | Papin, A.           | Notre-Dame St. | Broken fore-arm   |  |
| 1907-08-23 | Bennett, Robert     | Wire Mill      | <i>Unspecified</i>  |  |
| 1907-09-04 | Moore, Charles      | St. Patrick    | Right leg and foot were burned and foot was afterwards amputated                                |  |
| 1907-09-10 | Jodin, J.           | Notre-Dame St. | Crushed toe   |  |
| 1907-09-27 | Hastillon, G.       | Notre-Dame St. | Cut on hand   |  |
| 1907-10-04 | Dupuis, A.          | St. Henry      | Cut on face   |  |
| 1907-10-18 | Fritz, F.           | Notre-Dame St. | Jaw injured   |  |
| 1907-10-24 | Laplanie, H.        | Notre-Dame St. | Fingers injured   |  |
| 1907-10-26 | Roleau, Omaire      | Notre-Dame St. | Fracture of bone of right leg   |  |
| 1907-10-29 | Bourbonnais, A.     | Notre-Dame St. | Burned eyes & forehead  |  |
| 1907-11-11 | Skymanski, J.       | Notre-Dame St. | Cut on thumb  |  |
| 1907-11-19 | Tappel, S.          | Notre-Dame St. | Thumbs crushed  |  |
| 1907-12-07 | Kowal, S.           | Notre-Dame St. | Injured eye   |  |
| 1907-12-17 | Nowik, M.           | Notre-Dame St. | Crushed finger  |  |
| 1907-12-17 | Winekus, J.         | St. Henry      | Finger amputated  |  |

Source: *Stelco*, Vol. 5, File 28, "R. H. McMaster's Files," and Vol. 454 File 17, "Insurance."

nothing new, of course. Although before 1907 it is not possible to evaluate with any precision the number or nature of workplace accidents before the early twentieth century, the press could not help themselves when a particularly gory episode took place. In December 1893, newspapers as far as Great Britain reported on an accident at Montreal Rolling Mills. A worker named William Wilson “was alone in one of the rooms, when it became evident to those outside that something had gone wrong, and sure enough upon running into the apartment where the poor man was last seen alive an awful sight met their eyes. It appears that Mr. Wilson had been caught in a belt propelled at lightning speed, and his body hurried upward to a frightful death. When found the trunk alone remained, as both legs and arms had been torn from the body.”<sup>57</sup> Wilson’s widow, Mary Ann Corcoran, sued the company for damages and was awarded \$3000 by the Court of Queen’s Bench, Montreal Rolling Mills being accused of lacking appropriate guards on its machinery. However, when appealed to the Supreme Court of Canada, the judgement against the company was overturned, as it was argued that there was no proof of negligence by Montreal Rolling Mills. Corcoran got nothing.<sup>58</sup>

Episodes like the Corcoran lawsuit, which almost cost Montreal Rolling Mills several thousand dollars, was another example of the threat posed by the law if not properly contained. Common law provided substantial protections for employers in situations where their employees were injured on the job, especially tort law. Even if a worker could afford the costs of a lawsuit, he or she would have to prove not only that there was negligence on the part of the employer, but that the employer knew that the conditions of the workplace were unsafe. This was a very high bar, made higher by the fact that common law also considered contributory negligence. If a

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<sup>57</sup> “A Man Torn to Pieces,” *Yorkshire Evening Post*, 27 December 1893, 4.

<sup>58</sup> Thierry Nootens, “Droit civil, condition ouvrière et transition au capitalisme industriel au Québec,” *Canadian Journal of Law and Society / Revue Canadienne Droit et Société* vol. 31 no.1 (2016), 48.

worker could be shown to have been in any way negligent, the employer would be cleared of wrongdoing, and courts often considered that workers accepted risks voluntarily when going to work. Fellow servant doctrine was perhaps one of the most powerful ways mid-Victorian corporations shirked responsibility for injuries to their workers. A legal rule created to protect industrial corporations from being held liable for injuries to their workers, companies could not be held at fault if injuries could be argued to have been caused by the negligence of another employee. In sum, “[t]hese doctrines reflected the mid- to late nineteenth-century subservience of common law to individualistic values of laissez-faire – free will and responsibility for one’s own fate.”<sup>59</sup>

However, as was often the case, in spite of their position as the most powerful group in the Dominion, bourgeois Montrealers saw themselves in a far more vulnerable position than their contemporaries in other jurisdictions of the Anglo-Protestant world. Industrial corporations were adept at using the law to protect their wealth. As James Huston points out, “[t]he realization of being remarkable and different, with all the property involved in these new organizations [corporations], led the innovators to demand new forms of protection of property from legislative majorities. They then turned to various ideas in existence and warped them to their needs – sanctity of contract, fellow servant doctrine, and substantive due process.”<sup>60</sup> But these common law doctrines were not in force in Québec, and civil law offered much more robust avenues for workers to seek damages for workplace injuries. In Québec there was no fellow servant doctrine, while evidence of negligence was not exculpatory but was rather used to “apportion damages according to the balance of fault [...]” The central problem that bourgeois Montrealers faced was

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<sup>59</sup> Jim Phillips, Philip Girard, and R. Blake Brown, *A History of Law in Canada* Vol. 2 (Toronto: Osgoode Society for Canadian Legal History, 2022), 415-416.

<sup>60</sup> Huston, *Calculating the Cost of the Union*, 118.

the “degree of autonomy possessed by the judicial branch of the state meant that capital did not have much control over the process or outcomes.”<sup>61</sup> Jury trials were particularly unpredictable, as injured employees could enjoy the sympathy of their peers, and claims in Québec were frequently for \$1999, as anything under \$2000 could not be appealed to the Supreme Court. These appeals could be effective, but if it got to the Judicial Committee of the Privy Council Québec manufacturers were at a disadvantage as it generally did not overturn decisions based on civil law.<sup>62</sup> Bourgeois Montrealers, especially those organized under the Montreal branch of the Canadian Manufacturers’ Association, were particularly active in the campaign to create more rationalized (and employer-friendly) workplace compensation legislation, something that would bear fruit in 1909 with the Workmen’s Compensation Act. However, in the first years of the twentieth century, Montreal Rolling Mills had to figure out its own way to protect itself against the threat of an independent judiciary.

For all their fears of the mobocracy, bourgeois Montrealers always had the big end of the stick. Before 1909 an injured worker would have to file a lawsuit against a company for compensation, an extremely expensive proposition for a working class barely surviving on subsistence wages. Although lawsuits were a regular hazard for bourgeois Montrealers, most workplace accidents were settled out of court.<sup>63</sup> It is unclear when exactly Montreal Rolling Mills formalized a system for workplace accident compensation. The first records date from 1907, but it was likely already standard practice. By then if not before, it was Ross McMaster and not his father that handled compensation, which is likely why this series of documents survived.<sup>64</sup> The

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<sup>61</sup> Stritch, “Workers’ Compensation,” 557-58.

<sup>62</sup> Philips et al., *A History of Law in Canada*, 416.

<sup>63</sup> Stritch, “Workers’ Compensation,” 553-558.

<sup>64</sup> One of the forms is clearly signed by Ross McMaster, the others appear to be in his handwriting. All the surviving correspondence with the insurance companies were handled by him as well.

company was well insured for these claims, having at the time a policy from the General Assurance Company.

There were several different forms used by the Montreal Rolling Mills, which typically indicated the name of the worker seeking compensation, the date of the accident, the nature of the accident, the date of the settlement, the amount of the settlement, and most importantly for the company, a statement releasing them from any further liability. The forms were always filled out by a company employee and signed by the injured worker and one or two witnesses. Of the twelve surviving completed forms from before the passage of the Workmen's Compensation Act in May 1909, three of the claimants could not spell their own name, instead signing with a mark. Furthermore, many settlements had to be negotiated through interpreters, the injured workers speaking no English. There is an indication that the interpreters would perhaps take a cut, as when G. Derkaz received a \$50 settlement, \$10 was paid to "Czech." Although this is only a single case, it is hardly unthinkable that interpreters would take advantage of their already exploited countrymen. Some of the forms were in French, but the company always filled them out in English, as when J. Dupont received "la somme de Eight piastres [...] en vertu d'un certain accident qui s'est arrive [*sic*] le ou vers le Twenty second jour de December 1910 a [*sic*] St Henry Works par lequel j'ai subi des torts (pertes) personnels comme suit Contusion of shoulder [...]"<sup>65</sup> William McMaster had made sure his children were fluent in French, himself feeling the "wont of not being to able to 'parlez vous'" and wanting "my boys to be better off in that way than the old man [...]" He would even send his sons to live with a "french [*sic*] family in a place called St. Pie (near St. Hyacinthe) [...]" in the summers when they were off school – although he also made sure to also have them get some practical training in the mines while they

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<sup>65</sup> *Stelco*, Vol. 454 File 17, "Insurance."

were there.<sup>66</sup> Ross filling out the forms in English was a potent reminder that here, as always in this period, the language of work in Montreal remained English.

The company seems to have always done its due diligence before handing a worker a cheque for an accident. On 4 September 1907, Charles Moore suffered severe burns to his right leg and foot at the St. Patrick St. works, his foot later being amputated. Over the next few months, Ross McMaster dispatched F. I. Greenfield, one of the company's bookkeepers, seven times to check on Moore (one time, on 4 December, he could not see the injured worker). His transportation costs by cab were charged to the company, as were magazines and fruit (it is unclear if those items were for Greenfield or Moore). He also charged the company for his transportation to the bank, likely to pick up the \$200 settlement cheque discharging the company of responsibility for Moore's amputated foot. For less serious injuries, Montreal Rolling Mills considered how long the worker could not work, as when the company settled with J. Markowski who had broken his leg below the knee. Speaking through an interpreter, the company initially "had some difficulty in getting [Markowski] to take a reasonable view of the matter [...]" Markowski had already missed nine weeks of work, and would likely miss another four, therefore the company negotiator – almost certainly Ross McMaster – had originally calculated that the most reasonable compensation "to cover his lost time" would be \$110. However, the man refused, and as the company "thought better not to let him get away," likely fearing that things could end in a costly lawsuit, the company settled the matter for \$150.<sup>67</sup>

Workers injured at Montreal Rolling Mills could hardly afford the cost of a lawsuit, but the threat remained. Although they were not common events, workers did sue and even occasionally,

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<sup>66</sup> Letter from William McMaster to John McLennan, 21 April 1899. *Stelco*, Vol. 30, File 1, "Montreal Rolling Mills Letter Book, 1895-1900."

<sup>67</sup> Letter from unknown [almost certainly Ross McMaster] to The General Accident Assurance Co., Montreal, 12 February 1909. *Stelco*, Vol. 454 File 17, "Insurance."

against all odds, win. The transformation of the corporation in the mid-nineteenth century was an initial plank of the bourgeois counteroffensive against the threat of democracy, the creation of unelected upper chambers by the British North America Act a second. As we have seen, there remained the danger posed by an independent judiciary, appointed by democratic parliaments, with plebeian juries handing out judgements. The result was that after heavy lobbying, especially by organizations like the Montreal Builder's Exchange, the Montreal Chamber of Commerce, and the Montreal branch of the Canadian Manufacturers' Association, the government of Québec passed the Workmen's Compensation Act in 1909. The act protected wealth by setting strict limits to how much an injured worker could claim in compensation, "requiring workers to get permission from a Superior Court judge before having recourse to the act, which imposed an extra bureaucratic and financial hurdle for workers [while] jury trials were banned for any disputes arising from the act, reflecting employers' antipathy towards juries."<sup>68</sup> With the act receiving royal assent in May of 1909, another firebreak was created between capital and democracy.

### *Conclusion: A Modern Firm*

In the first decade of twentieth century Montreal Rolling Mills made massive strides in becoming a more modern industrial enterprise. The era of mass production coincided with a major expansion, and the competitors it acquired in 1903 needed to be integrated into a multi-unit firm. To do this William McMaster relied on experts, either people already in the employ of one of the company's departments like George Clapp, or those like his son Ross who were sent to acquire the necessary skills to run a modern firm from the most advanced operations in the

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<sup>68</sup> Stritch, "Workers' Compensation," 558-570.

world. Integrating the works would be a challenge, as would modernizing plant machinery, and most importantly, disciplining labour. Nonetheless, McMaster succeeded in improving the company's throughput, that is to say, its efficiency in turning raw materials into finished commodities. Improving throughput involved radically increasing the speed operators were required to work their machines at, while new, labour-saving machines were increasingly operated by unskilled foreign labour. The result of this was a massive increase in workplace accidents and the consequent threat of litigation. Bourgeois Montrealers succeeded in mitigating this problem not by making the works safer, but by lobbying the government to pass legislation protecting them from expensive lawsuits. By the end of the first decade of the twentieth century, Montreal Rolling Mills was a much more advanced operation, and its directors had even more protections for their wealth.

The company's transformations were however unfinished by the time Montreal Rolling Mills merged to create Stelco in 1910. The company would continue to make improvements, but it took the Great War for the Montreal branches of Stelco to become properly modernized. Nonetheless, this chapter shows that bourgeois Montrealers were hardly falling behind in the era of mass production. When it conformed to their class interests, and perhaps just as importantly, their corporate interests, they could and did adopt the most advanced managerial and mechanical technologies available. However, there were limits to what a company like Montreal Rolling Mills could do. Industrial capital had transformed Montreal and Canada and had allowed a hardware manufacturer on the Lachine Canal to acquire its major rivals in 1903. But to go further, to become dominant in the whole Dominion, industrial capital would not suffice. The era of mass production would also be the dawn of the era of finance capital, and the next chapter of Montreal Rolling Mills' story would require a financier.



## CONCLUSION

Thomas Morland died in 1870, only two years after spearheading the creation of Montreal Rolling Mills, and as he left few letters, it is impossible to know if he was aware of how consequential his project of a hardware manufacturing firm on the banks of the Lachine Canal would be. The scale and ambition of the project, bringing together some of the most important individuals in the Dominion, integrating production and distribution, and most importantly utilizing the joint-stock corporation as an organizational technology, suggests that he had an idea of what Montreal Rolling Mills could be. He nonetheless died before its potential was realized, and before the enormous changes it contributed to ushering in could take place.

The second corporate era began when it became possible to incorporate by registration rather than individual act, removing the corporation from oversight from an increasingly democratic parliament. As the number of corporations ballooned, the institution became a “contact zone,” a space where different people passed through and interacted in ways that would not have been common in a previous era dominated by the private partnership. Relationships were made and strengthened as individuals interacted with each other because of their shared experience of stockownership, directorship, and employment. The corporation was not a liberalizing space as it directly contradicted the fundamental liberal principles of the primacy of individual liberty, the equality of property owning men, and the sacredness of private property. Within the corporation, the businessman sacrificed his individualism for the collective good of the company and accepted the rigid hierarchy of presidents and directors. Of the third principle, liberals and conservatives largely aligned, but the corporation showed the extremism of the conservative position, which considered that wealth had to be protected at any cost.

Thomas Morland took advantage of the newly depoliticized corporation to create Montreal Rolling Mills in the early spring of 1868. At its core, the hardware manufacturing company by the Lachine Canal was a creature of the Montreal bourgeoisie, by far the most powerful group in the young Dominion. The corporation was an ostentatious display of wealth, and Morland was careful to remind the country of the people he had recruited as investors. There could be no better credit rating than having as stockholders such individuals as Allan, Redpath, Brydges, and Molson. Beyond the people who bought shares, Montreal Rolling Mills was also ahead of its time by bringing together manufacturing and distribution, creating an early version of a vertically integrated firm. Morland's company transformed the country's hardware trade, its size and the power of the individuals pulled into its orbit giving it the opportunity to dominate in an era where the smaller, private partnership remained the most common form of business organization.

After Morland's death in 1870, Montreal Rolling Mills continued its expansion under the leadership of Charles Watson. But the start of the Great Depression in 1873 heralded almost a decade of crisis. The company survived because of its networks, especially its close relationship with the Bank of Montreal. Meanwhile, its directors increasingly engaged with the state, as tariff policy was seen to be crucial for its success. A language developed around tariff lobbying that would remain consistent for the rest of the century. Most importantly, within the confines of the corporation, ideological commitments were put aside, and corporate *realpolitik* reigned. There was a correct answer to the proper level of protection – it was whatever was best for the company at the particular time. As the economy recovered towards the end of the decade, which coincided with the return to power of Macdonald's Conservative Party, Montreal Rolling Mills was in an enviable position and certainly stood to benefit from Western expansion and the National Policy.

The era of the National Policy closed the debate between free traders and protectionists in Canada, but corporate lobbying did not cease. Again, there was a correct answer to the question of the correct rate of protection, and Montreal Rolling Mills ruthlessly fought for cheap inputs and protected outputs. The republic of stockholders also expanded beyond the realm of bourgeois men, with increasing numbers of women holding shares in their own names rather than through the instrument of the trust. The case of Emily Sweeny was indicative of the increasing assertiveness of bourgeois women, who depended on dividend payments to maintain their lifestyles.

By the late 1880s Watson, dealing with health issues, handed more and more responsibilities to William McMaster, who in 1888 made the decision to move the company's head office from the old central business district to the Lachine Canal, physically completing the integration of production and distribution. Montreal Rolling Mills continued to expand in the 1890s, but started to reach the limits of what was possible with industrial capital. McMaster sought to dominate the country's secondary iron and steel industry, but even with the company's massive capitalization, attempts to expand to Nova Scotia ultimately failed. McMaster instead pivoted to asserting dominance in the Montreal hardware trade by seizing control of his main competitors within the city, but this was far from the national company he still envisioned.

The first years of the twentieth century saw an epochal shift in the organization of Montreal Rolling Mills, as McMaster brought his son Ross into the company. Both father and son were highly interested in improving throughput by actively bringing in principles of scientific management and breaking worker control of the productive process. A final phase of the Montreal bourgeoisie's long-term struggle against democratization took place as the threat of jury trials was neutralized with the passing of the Workingmen's Compensation Act in 1909. At

the same time, McMaster finally succeeded in expanding the company beyond Montreal, as in the following year Montreal Rolling Mills was integrated into The Steel Company of Canada.

The story of Montreal Rolling Mills is the story of a network of bourgeois Montrealers who were brought together by the organizational form of the joint-stock corporation. It is also very much the story of the rise of the corporation nation in Canada. By the early twentieth century, the corporation had become the norm in the Dominion, supplanting previous forms of business organization. But it remains the story of people actively making decision and the relationships that were created by their involvement with the corporation. The individuals that passed through Montreal Rolling Mills, whether as directors, stockholders, or employees, were affected by it, and the corporation transformed the Montreal bourgeoisie and set the stage for its continued dominance of the Canadian economy into first decades of the twentieth century.

**EPILOGUE:**  
**THE FINANCIER**



***Max Aitken (1879-1964)***

Source: McCord Museum, Norman Collection, II-156536.

Max Aitken was born in New Brunswick, the son of a Scottish clergyman. From his early years as a “pint-sized peddler,” he demonstrated the tireless ambition and voracious greed that would characterize his later life.<sup>1</sup> Aitken began to make his name in the regional securities market and became involved with the powerful Halifax businessman John F. Stairs, who made

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<sup>1</sup> Gregory Marchildon, “Max Aitken in Montreal: Financial Innovation and Creative Destruction in the Laurier Boom,” in Dimitry Anastakis, Elizabeth Kirkland, and Don Nerbas eds., *Montreal’s Square Mile: The Making and Transformation of a Colonial Metropole* (Toronto: University Press, 2023), 245.

him his private secretary. When Stairs died in 1904, Aitken succeeded him as general manager of the Royal Securities Corporation, but Halifax was already beginning to be too small for him. According to Gregory Marchildon, Aitken looked up to bourgeois Montrealers like William Van Horne, the president of the Canadian Pacific Railway, and Edward Clouston, general manager of the Bank of Montreal and president of Montreal Rolling Mills. To aspire to the lofty heights of Canadian finance, he would have to go to the country's economic capital.<sup>2</sup>

While in Montreal, Aitken easily integrated himself into the city's bourgeoisie, and quickly began to expand his operations there. His first undertaking was the merger between his own Commercial Trust Company and the Montreal Trust and Deposit Company, which "offered Aitken the opportunity to use the deposits as the basis upon which to offer call loans to the investors and the stockbrokers who were underwriting or selling his new issues of securities." Soon he headed a powerful financial empire centered on Montreal, reinforcing the metropole's already extensive connections with Halifax.<sup>3</sup>

Aitken represented a shift away from an economy centered on industrial capital to one where the enormous capabilities of finance were unleashed, remaking the business and political landscape. In the late 1890s, William McMaster had found himself without the massive financial resources that would have allowed him to create a national corporation with operations in Montreal and Sydney. As he considered retiring from active management of Montreal Rolling Mills, McMaster attempted to simply sell the company to DISCO in 1909-10. When this ended with the same results as his earlier unsuccessful plans, he entertained offers from Aitken who had equally grand designs but much greater capital looking for profitable investment.<sup>4</sup>

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<sup>2</sup> *Ibid.*, 255-256.

<sup>3</sup> *Ibid.*, 258-260.

<sup>4</sup> Marchildon, *Profits & Politics*, 194-195.

The formation of Stelco in 1910 made possible by Max Aitken, the financier, ushered in a new era for what was now Canada's unquestioned iron and steel giant. William McMaster retired to make his name in the explosives industry, and the new company's headquarters would be in Hamilton, not Sydney or Montreal. But Aitken's machinations in no way indicated any kind of decline for the Montreal bourgeoisie. Hamilton was unquestionably one of the Dominion's great industrial centres, but the financial capital remained Montreal. Within a few years, Ross McMaster would be promoted to president, and he never moved to Hamilton. Aitken achieved much of his fortune and most of his fame after orchestrating the formation of Stelco, leaving for London a few years afterwards to become Lord Beaverbrook. But the Montreal bourgeoisie remained, Montreal capital continued to be fundamental to Stelco and indeed most of the Canadian iron and steel industry, and the company formed by Thomas Morland in 1868 continued operating until 1986, when the financialization unleashed by Aitken ultimately culminated in the intense dislocations of deindustrialization.<sup>5</sup>

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<sup>5</sup> For the Montreal bourgeoisie in the first decades of the twentieth century, see Don Nerbas, *Dominion of Capital: The Politics of Big Business and the Crisis of the Canadian Bourgeoisie, 1914-1947* (Toronto: University Press, 2013). For deindustrialization, see High, *Deindustrializing Montreal*.



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