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DON MACGILLIVRAY

Henry Melville Whitney Comes To Cape Breton: The Saga Of A Gilded Age Entrepreneur*

No individual has had more of a lasting impact on industrial Cape Breton than Henry Melville Whitney. In 1901 W.L. Grant described him as "the best type of American capitalist" and two decades later the *New York Times* noted: "As the organizer of the Dominion Coal Company, from which grew the present coal and iron industry of Cape Breton, Nova Scotia, it had been said of him 'that no American ever did more for Canada'". Upon his death the *Sydney Post* declared he had been "one of the most famous industrial promoters of modern times", and in the 1950s a Cape Breton assessment stated that he would "live in the annals of history for his capacity for sound organization, superior tact in leadership, enterprise and salesmanship".[1] Such generous statements are suspect, in view of the turbulent history of industrial Cape Breton and the long-standing difficulties which have characterized the steel and coal industries of the area. Yet Whitney's story is significant, because of the tremendous influence he wielded on the industrial development of Cape Breton and as a case study of external entrepreneurship. It is another chapter in the on-going discussion about the decline of the economy of the Atlantic region.[2]

The story of the financial rise of Henry Melville Whitney, and his more famous brother William Collins Whitney, reads like a typical tale of economic success in America's Gilded Age.[3] Their father, James Scollay Whitney, born in

* The author would like to thank the Canadian Department of Labour — University Research Committee for their financial assistance, the firm of Dun and Bradstreet, Inc. for permission to quote from the R.G. Dun & Company credit ledgers, and D. Frank and P. Buckner for their critical comments.

1 W.L. Grant, "Cape Breton Past and Present", *Canadian Magazine*, 1901, p. 442; New York *Times*, 26 January 1923; Sydney *Post*, 29 January 1923; L. Doucet, "Henry M. Whitney" (unpublished paper, Beaton Institute of Cape Breton Studies, Sydney).

2 See, for example, T.W. Acheson, "The National Policy and the Industrialization of the Maritimes, 1880-1910", *Acadiensis*, I (Spring 1972), pp. 3-28; D. Frank, "The Cape Breton Coal Industry and the Rise and Fall of the British Empire Steel Industry", *Acadiensis*, VI (Autumn 1977), pp. 3-34; D. Alexander, "Economic Growth in the Atlantic Region, 1880-1940", *Acadiensis*, VIII (Autumn 1978), pp. 47-76.

3 The mythical success story of the poor, unlettered and possibly immigrant boy, who through varied means rises to the pinnacle of prosperity, has been effectively demolished by a number of historians. See Edward Pessen, "The Egalitarian Myth and the American Social Reality: Wealth, Mobility and Equality in the 'Era of the Common Man'", *American Historical Review*, 76 (1971), pp. 989-1034; William Miller, "American Historians and the Business Elite", in

South Deerfield, an agricultural village in Western Massachusetts, on 19 May 1811, was the son of a "prominent merchant manufacturer". James soon learned to combine the complementary concerns of business, politics and the military. He helped to organize the 2nd Brigade, Massachusetts Militia and for his efforts was appointed to the rank of Brigadier-General at twenty-three. Commonly referred to thereafter as the "General", James Whitney succeeded to his father's business in 1838 and immediately moved to Conway, another village in Western Massachusetts. His two sons, Henry Melville and William Collins, were born there on 22 October 1839 and 5 July 1841.[4] The boys spent their formative years in comfortable circumstances in Conway. Their father was a political power and a financial force in the area. He erected a cotton mill and operated "an old-fashioned country store where the good citizens of Conway were wont to assemble and discuss and settle, in their own minds, the most important questions of the day".[5] James Whitney stayed in Conway fourteen years, becoming increasingly active in Democratic politics and in business. He was town clerk from 1843-52, and legislative representative and sheriff of Franklin County in the early 1850s. He added to his business interests by organizing the Conway Bank and the lucrative Conway Mutual Fire Insurance Co. In 1854 the family departed for Springfield, Massachusetts where Whitney took up an appointment to head the national armory. It was a sensitive post at the time, because of a squabble within the arms industry, but James' militia rank, his tactful manner, his political activities, and his "marked proclivity for compromise" served him well for the next six years. In 1860 he was appointed Collector of Customs for the Port of Boston by President Buchanan but was removed by President-elect Lincoln the following year.[6]

The General remained in Boston and continued to expand his business interests. A June 1861 credit report commented that he was "a generous, offhand and pleasant man", president of a small insurance company, part-owner of a non-operating paper company, and worth an estimated $25,000. Capitalizing on his connections, he was soon heavily engaged in chartering steamboats to the government and within three years was said to be worth between $100,000 and $150,000. His most profitable concern, of which he was president, was the

Miller, ed., *Men in Business* (New York, 1962), pp. 309-28; F.W. Gregory and Irene Neu, "The American Industrial Elite in the 1870s: Their Social Origins", in *ibid.*, pp. 193-211; John Tipple, "Big Businessmen and a New Economy", in H. Wayne Morgan, ed., *The Gilded Age* (Syracuse, 1970), pp. 13-30.

4 *The National Cyclopedia of American Biography*, X (1900; reprinted Ann Arbor, 1967), pp. 154-5; *New York Times*, 25 October 1878; *Dictionary of American Biography*, XX (New York, 1936), p. 165.

5 W.T. Davis, *Professional and Industrial History of Suffolk County, Mass.* (Boston, 1894), II, p. 635.

6 *Ibid.*; E.P. Hoyt, *The Whitneys: An Informal Portrait, 1635-1975* (New York, 1976), pp. 121-3.

Metropolitan Steamship Company which operated between Boston and New York. He was also president of. and had invested heavily in, the Boston Water Power Company, which possessed a checkered financial record and was considered almost worthless by the late 1870s. Stock in a variety of rather unsuccessful railway companies completed his financial interests and throughout the 1860s and 1870s his estimated worth fluctuated between $50,000 and $500,000. Rather reticent about his affairs — a partial explanation for the varied estimates — he was confidentially reported to be "something of an operator" and "a speculator" in "pretty good condition". "Honourable and shrewd", he was "considered good for his engagements".[7] Yet, although obviously capable of operating a profitable steamship company, he was hindered by his unsuccessful investments and he had achieved only modest economic success when he died on 24 October 1878.

Both the General's sons attended public school in Conway and then proceeded to Williston Seminary at Easthampton, Massachusetts. William continued his academic pursuits and later went to Yale University, where he graduated in 1863, and to Harvard Law School. Assisted by a letter of introduction from his father to Samuel J. Tilden, one of the leading Democrats in New York, William completed his legal requirements in a prestigious law firm, was admitted to the New York bar in 1865, and formed a partnership with Henry F. Dimock, his former roommate at Yale. Although the firm, which began to handle the legal affairs of General Whitney's Metropolitan Steamship Company, lasted only five years, Dimock married William's sister and after William's departure, remained the steamship company's agent for many years.[8] After the partnership dissolved, William directed his considerable energies and talents to the fields of corporate law and politics. As a political protégé of Tilden, he assisted in the successful struggle against William M. Tweed's gang which controlled Tammany Hall and, as corporation counsel for New York, William saved the city millions by opposing fraudulent claims. One of the ablest political organizers of his day, he helped Grover Cleveland to win the Democratic nomination for Governor and later the Democratic presidential nomination. When Cleveland, the first Democratic president since Buchanan, took office in Washington in 1885, William Whitney was one of his three chief cabinet members. As Secretary of the Navy, William undertook a commendable

7 James S. Whitney, 11 June 1861, 11 July 1864, 1 March 1869, 21 September 1872, R.G. Dun and Co. credit ledgers, Massachusetts, vol. 76; Metropolitan Steamship Company, 31 July 1871, 27 December 1872, 28 June 1875, 12 June 1877, *ibid.*, vol. 82.

8 Hoyt, *The Whitneys*, pp. 124-9; B.J. Henricks, "Great American Fortunes and Their Making: Street Railway Financiers", *McClures' Magazine* (November, 1907), p. 38; B.B. Seligman, *The Potentates: Business and Businessmen in American History* (New York, 1971), p. 162; H.F. Dimock, 21 April 1880, R.G. Dun and Co. credit ledgers, New York, vol. 390; *Dictionary of American Biography*, XX, p. 165.

and long overdue departmental reorganization and significantly upgraded America's naval forces.[9]

After Cleveland's first term, William retired from public office and returned to New York. During the early 1880s he had become involved in utility companies in New York City and there had been strong opposition to his cabinet appointment because he was seen as a representative of corporate finance in politics. He did not sever his business connections during his sojourn in Washington and upon his return to New York, with his national political prestige, his position as leader of the Conservative eastern wing of the Democratic party, his thorough knowledge of local politics — for a time he virtually controlled Tammany Hall — and his excellent grasp of the mysteries of corporate finance, he was well situated. Through such concerns as the Metropolitan Securities Company (possibly the first concern to use the "holding company" as an instrument of modern corporate finance), the Metropolitan Street Railway Company and the United Tobacco Company, William amassed a substantial fortune in the 1890s. A frequent associate in these dealings was Thomas Ryan and, according to Josephson's study of American capitalists, this enterprising twosome wheeled and dealed with New York City's transportation system and "multiplied their original, trifling capital a thousandfold, emerging with two of the quickest and largest fortunes of the whole era". When William Collins Whitney died in February 1904, he left an estate of $40,000,000, ten residences, and some ambivalent feelings.[10]

The career of Henry Melville Whitney was less spectacular than that of his younger brother. After one year at Williston Seminary he returned to Conway, working first in his father's store and then for three years in the Conway bank. In the late 1850s he went to Boston to become a clerk in the Bank of Mutual Redemption. In 1860 he became a clerk in the naval agent's office for a year, and then formed a partnership in a New York shipping business. During the American Civil War Henry left the running of the company — which was experiencing difficulties — to his partner and went south to engage in cotton speculation and in schemes to raise sunken vessels. The partnership and the

9 Allan Nevins, *Grover Cleveland: A Study in Courage* (New York, 1932), pp. 103, 194-5, 217-23; *Dictionary of American Biography*, XX, pp. 165-6; B.J. Henricks, *The Age of Big Business* (New Haven, 1919), pp. 130-1.

10 R. Leopold, *Elihu Root and the Conservative Tradition* (Boston, 1954), pp. 17-8; Matthew Josephson, *The Robber Barons* (New York, 1934), pp. 335-6, 385-7; Nevins, *Grover Cleveland*, pp. 97, 195. B.J. Henricks estimated that the New York syndicate made $100,000,000 in a ten year period and gave the city one of the worst transit systems in the country. Along with other associates they plundered a number of other cities through their control of public utility companies and municipal politics, and complex stock manipulations. See Henricks' series of articles in *McClures' Magazine*, November, 1907 — January, 1908, and his *Age of Big Business*, pp. 119-48; Seligman, *The Potentates*, pp. 159-62; *Dictionary of American Biography*, XX, p. 166.

company disappeared around this time and in 1866, after a decade of dabbling in shipping and accumulating some low level financial experience, he returned to Boston to become the agent for his father's Metropolitan Steamship Company.[11] In his early spectulative ventures Henry was both following in his father's footsteps and riding on his coattails and as late as 1872 it was reported that "His own means don't amount to much. Operates in connection with his father and not supposed to have much personal responsibility". Nonetheless, by September 1874 Henry possessed over half of the shares of the Metropolitan Steamship Company and some real estate in the Boston-Brookline area. His worth was estimated at $250,000, a figure which remained reasonably constant throughout the decade. The bulk of this modest fortune was doubtless in shipping company stock. The family company continued to be well and conservatively managed and Henry gradually acquired the respectable credit ratings earlier accorded the General, and a similar reticence about his business affairs.[12]

In early October 1878, 39 year old Henry Melville Whitney married a Brookline lady, Margaret Foster Green. Three weeks later the General died, Henry became president of the Metropolitan Steamship Company and, according to one source, "in the management of this company's affairs he exhibited for the first time, in a broad and striking manner, the indomitable energy and resource that have characterized his subsequent career".[13] While other writers also suggest a significant shift in attitude and approach at this time, until the mid-eighties Henry closely followed his father's pattern, without the ill-judged investments.[14] The shipping company grew more prosperous. The freight run between Boston and New York was lucrative and the company had all the business it could handle, because it was the only bonded line and the company combined with its competitors on a schedule of charges which increased rates by 50 per cent within two years. Henry also controlled the Hancock Inspirator Company, another flourishing concern, and along with the much criticized Boston Water Power Company which he had acquired from his father, these appear to be the only businesses in which he was involved. By 1882 Henry was described as an "honourable, capable businessman" worth an estimated $400,000-$500,000.[15]

11 Davis, *Professional and Industrial History*, II, p. 636; *National Cyclopedia*, X, p. 155; *New York Times*, 16 January 1923; Doucet, "Whitney".

12 H.M. Whitney, 21 September 1872, 6 June 1874; Metropolitan Steamship Company, 19 October 1876, 19 February 1877, 12 June 1877, R.G. Dun and Co. credit ledgers, Massachusetts, vol. 80.

13 *National Cyclopedia*, X, p. 155.

14 S.L. Powers, *Portraits of a half century* (Boston, 1925), pp. 197-8; Davis, *Professional and Industrial History*, II, p. 636.

15 Metropolitan Steamship Company, 10 August 1878, 5 May 1881, 26 November 1881, 17 April 1882, 28 February 1884, R.G. Dun and Co. credit ledgers, Massachusetts, vol. 82.

Little is known about his activities in the next few years. In one of his first public appearances on record, in 1884, Henry wrestled with the Land and Harbour Commission of Massachusetts up to the State Supreme Court over a small parcel of land which he claimed for the Boston Water Power Company. When called as a witness Henry demonstrated the Whitney reticence with short, vague and imprecise responses.[16] Two years later Henry Whitney started to speculate on a larger scale. He had owned some real estate in the Brookline area since the mid-1870s and in the spring of 1886 quietly began to increase his holdings. By mid-summer he had put some $800,000 into the scheme — and had over-extended himself. Inviting some of his "more intimate and wealthy friends" into the project, the West End Land Company was promptly formed.[17] Not surprisingly, some politicians appear to have been included in the invitation.[18] Intimately associated with the land speculation was the West End Street Railway Company, also formed in 1886. It was intended to connect suburban Brookline with Boston proper and to run directly through the properties of the West End Land Company. Whitney did not stop there. The length of the proposed West End Street Railway route was only eight miles, and there were five other street railway systems operating in Boston, but he began to buy into them while seeking an altered franchise to consolidate the entire system. Confronted by "violent opposition" in the legislature, Whitney dropped his reticence and blossomed forth eloquently proclaiming the benefits of an integrated transit system. One contemporary stated that Whitney's performance before the Street Railway Committee of Massachusetts was "the best and most convincing argument that [he] every listened to before a legislative committee". By September 1887 Whitney had emerged as president of the greatly enlarged West End Street Railway Company, accompanied by the accusation of "much public scandal". During the next few years Whitney spoke frequently at public gatherings and before a variety of state committees to justify the new situation. While he frequently used the language of urban reformers, some of his actions belied his utterances and many people remained unconvinced that he was

16 The parcel of land had been the subject of frequent litigation in the past and Whitney's Boston Water Power Company had a long and mixed record in its own right. C.P. Huse, *The Financial History of Boston* (Cambridge, Mass., 1916), pp. 71-2; Commonwealth of Massachusetts, State Supreme Court, *Attorney-General by information ex rel Land and Harbour Commissioners vs. Henry M. Whitney* (Boston, 1894).

17 H.M. Whitney to W.W. Clapp, 17 January 1887, Whitney Correspondence, Houghton Library, Harvard University, Boston; E.S. Mason, *The Street Railway in Massachusetts* (Cambridge, Mass., 1932), p. 193; Davis, *Professional and Industrial History*, II, pp. 636-7.

18 "We know that Boston politicians grew rich in speculation in West End lands. We know it. I know a Boston alderman today who, in open meeting and in a public place, boasted that he had made his money because, at the proper time, he got the proper tip from Mr. H.M. Whitney and bought West End Stock down on State Street and that man is worth $200,000 or $300,000 today". T.W. Coakley, *A Crime Against the People* (Boston, 1896).

motivated by public benevolence.[19]

Whitney had entered the street railway business at an opportune time. The main mode of power was the horse and in 1887 Whitney's consolidated company required almost 10,000 of them. They were slow, inefficient, expensive to buy and keep, and their inadequacy within the industry was generally recognized. Whitney turned towards a cable system and had awarded some construction contracts when he became acquainted with a new electric system being installed in Richmond, Virginia by Frank J. Sprague, "the father of electric traction", who opened the Richmond line in February 1888. Eventually Whitney awarded Sprague the contract for the Boston-Brookline section of his West End system. It was a significant decision for both men. For Sprague, an order from the largest street railway system then operating in the United States dissipated the hesitancy of other lines and by 1890 he was supplying the equipment for about half of the 200 electric railway systems then operating or under construction.[20] For Whitney the decision to adopt the electric system earned him a number of laurels for his "indomitable perseverance" and farsightedness. His acceptance of this method, and his consolidation of the street railways, earned him a tribute from the *Street Railway Journal* as "the pioneer of the commercial side of electric railroading".[21]

It was this decision which appears to have formed the basis for the myth of the Whitney wisdom in business. While it was astute, one is also struck by the fortunate timing. Whitney's search for an alternative mode of power for the street railways coincided neatly with Sprague's full-scale effort at Richmond. Yet Whitney hesitated; only after three trips to Virginia did he offer a small contract to Sprague. Even after the successful trial on the Brookline section of Whitney's system, Sprague did not receive the main contract, worth over $3,000,000. Whitney wanted guarantees to be written into the purchase order, with the manufacturer assuming responsibility for the upkeep and repair of the

19 Sam B. Warner, Jr., *Streetcar Suburbs: Process of Growth in Boston 1870-1900* (New York, 1962), pp. 25-8, 60, 125; *Canadian Mining Review* (August 1894), p. 146; Davis, *Professional and Industrial History*, II, p. 637; III, pp. 293-4; Mason, *Street Railway*, p. 193; Powers, *Portraits*, pp. 199-200; T.W. Lawson, *Frenzied Finance* (New York, 1905), p. 138. Another source mentions twelve miles of track and six other lines in operation. H.C. Passer, *The Electrical Manufacturers 1875-1900* (New York, 1972), p. 228. For examples of Whitney's oratorical efforts and some of the public opposition see *Citizens Association of Boston: statement of executive committee regarding the franchise bill—its reply to allegations made by President Whitney* (Boston, 1891); A.W. Brayley, *History of the West End Street Railway* (Boston, 1891), pp. 32-45, 52-6, 76-8; Huse, *Financial History*, pp. 291-3.

20 Davis, *Professional and Industrial History*, III, p. 294; H.C. Passer, "Frank Julian Sprague: Father of Electric Traction, 1857-1934", in Miller, ed., *Men in Business*, p. 228; G. Hilton and J. Due, *The Electric Interurban Railways in America* (Stanford, 1960), pp. 4-5; Passer, *Electrical Manufacturers*, p. 339.

21 Davis, *Professional and Industrial History*, II, pp. 635, 638-9; Powers, *Portraits*, pp. 198-201; *National Cyclopedia*, X, p. 155.

equipment at agreed on rates. Sprague's company was unable to accept these terms and the contract, including the guarantees, went to a competitor. Two years later Whitney cancelled this agreement because the repairs had been so infrequent and minor that the manufacturer was making thousands annually on the arrangement. Nevertheless, the electrical system was a success, earnings per mile increased 2-3 times, and the value of suburban properties climbed. By the time he retired from the presidency of the West End Street Railway Company in September 1893 Whitney had earned a "national reputation".[22]

There appear to be two explanations as to why Henry Whitney began to turn his attention towards the coalfields of Cape Breton. One has Nova Scotia Premier W.S. Fielding, faced with increasing provincial expenditures, off to Boston in 1892 to seek new capital to invest in the expanding coal industry. Somehow he meets up with Whitney and the boom begins. Another more sinister scenario sees Whitney as a farsighted financial buccaneer.[23] Unfortunately, because of the scarcity of evidence, the events leading up to the formation of the Dominion Coal Company remain rather vague. Undoubtedly a key figure was the innovative and aggressive electrical engineer, Frederick S. Pearson. Born in Lowell, Massachusetts, and a one-time instructor at the Massachusetts Institute of Technology, he has recently been described as "one of those rare geniuses in the free-wheeling days of the late nineteenth-century who had imagination, courage and determination. He wanted to do things and he wanted to make money — an unbeatable combination in an atmosphere of laissez-faire capitalism".[24] In 1889 at the age of 28 he became chief engineer of the West End Street Railway Company and in the next few years solved a number of technical problems which significantly improved Whitney's electric transit system. By early February 1889, Pearson and J.A. Grant, a power plant contractor from the Boston area, had a construction company (Grant, Pearson and Company), which was doing extensive work for the newly created Peoples' Heat and Light Company of Halifax. Also heavily involved in Peoples' Heat and Light was a Colchester County native, the Halifax-based lawyer Benjamin Franklyn Pearson. The two Pearsons were apparently not related but they, and Grant, worked closely throughout the year. So, also, did a group identified only

22 Davis, *Professional and Industrial History*, II, p. 638; Passer, *Electrical Manufacturers*, pp. 252-3.

23 C.B. Ferguson, *W.S. Fielding*, I (Windsor, 1970), pp. 126-8; see also Carmen Miller's review of Ferguson's book in *Acadiensis*, I (Spring 1972), p. 93; Tom Naylor, *The History of Canadian Business 1867-1914*, II (Toronto, 1975), p. 176; David Schwartzman, "Mergers in the Nova Scotia Coal Fields: A History of the Dominion Coal Company, 1893-1940" (PhD thesis, University of California, 1953), pp. 97-150.

24 J.C.M. Ogelsby, *Gringos from the Far North* (Toronto, 1976), pp. 127-9, 155-6. By 1914 F.S. Pearson's Mexican holdings were said to have exceeded $25,000,000. M. Wilkins, *The Emergence of Multi-National Enterprise* (Cambridge, 1970), p. 122; *National Cyclopedia*, XVIII, pp. 123-4; *Dictionary of American Biography*, XIV, pp. 358-9.

as the "Boston syndicate".[25] Both Pearsons, and Grant, would play significant roles in the period immediately preceeding the organization of the Dominion Coal Company. Indeed, during its formative stage, with B.F. Pearson the agent and political lobbyist on the provincial scene, the group which eventually evolved into Dominion Coal was commonly called "The Syndicate".[26] It remains unclear who brought Whitney's attention to the potential of the Cape Breton coal industry. Whitney may have been initially attracted, as one report suggested, in a search for cheaper fuel for the new electrical system being installed on the West End Street Railway lines. His present source of coal was Newport News, Virginia and when the railway system was completed it was expected to consume 150,000-175,000 tons of coal annually.[27] This objective, however, could have been achieved by acquiring any one of a number of collieries then in operation in Cape Breton. What is clear is that some of Whitney's closest associates, and probably Whitney himself, were on a path that would lead directly to the coal fields of Cape Breton mere months after the signing of the first large electrical contract for the West End Street Railway Company.

In the winter of 1891-92 B.F. Pearson and J.A. Grant purchased the practically idle Ontario Colliery at Glace Bay for $80,000. Around the same time options were obtained on most of the collieries then operating in east Cape Breton.[28] Thoughts of consolidation were not new to the Cape Breton coal operators. The editor of the *Canadian Mining Review* wrote in 1893: "The coal operators in this district have for thirty years pursued an undeviating policy of cutting one another's throats, until one wonders there is anything left of them".[29] Individual coal companies had had a 25% survival rate during those years, although coal production increased almost yearly in the 1880s and the industry again bordered on prosperity by the end of the decade. The New England market had virtually disappeared, however, with an almost continuous decline in sales from 465,194 tons in 1865 to 13,833 tons in 1892. Meanwhile, the sale of Nova Scotia coal in the Martimes increased from 310,352 tons in 1873 to

25 Peoples' Heat and Light Company, 1889 Ledger, MG-3, vol. 194, Public Archives of Nova Scotia [hereafter PANS].

26 *Canadian Mining Review* (August 1894), pp. 130-1.

27 Scrapbook 8A, Senator William MacDonald Collection, Beaton Institute; according to the *Canadian Mining Review* (August 1894), p. 131, the Pearsons brought Whitney's attention to the Cape Breton coal fields.

28 The mine produced a little over 3,000 tons in 1891. *Canadian Mining Review* (March 1892), p. 49; I.A. Stearns to Kidder, Peabody, 20 September 1892, RG 21, vol. 86, PANS. B.T.A. Bell stated that the options were obtained before the forthcoming legislative changes while J.S. McLennan said they came after. Whitney suggested he was acquiring them around mid-May 1892. *Canadian Mining Review* (August 1894), pp. 131, 151; H.M. Whitney to W.S. Fielding, 16 May 1892, RG 7, vol. 124, PANS.

29 *Canadian Mining Review* (January 1893), p. 2.

895,366 tons in 1892 and the Quebec market rose from 187,059 tons to 746,037 tons in the same period.[30] While the provincial government was pleased with the improving state of the industry, as late as 31 March 1892, when C.E. Church presented the revenue returns from mines and minerals for 1891, he cautioned that "the figure for the past three years would not likely advance much for some years". Since Premier Fielding was searching for ways to increase provincial revenues in order to maintain credit and continue expenditures, in mid-February 1892 he announced that the coal royalty would be raised from 7½ to 10 cents per ton.[31]

Fielding's announcement immediately prompted a barrage of condemnations, threats and pleas from coal operators.[32] Fielding remained unmoved by the strenuous opposition until early April when he received word that "influential capitalists" in Boston regarded the government's right to increase royalty rates very unfavourably. At the same time J.A. Grant informed Fielding that Henry Whitney would like to talk to him in a couple of weeks. Fielding and Whitney had their chat in Halifax on 23 April 1892.[33] That was a Saturday and the following Monday Fielding introduced into the House of Assembly two significant amendments to the mines and minerals bill then under debate. One restricted the government to specific maximum rates of royalty over specified periods of time, thus — in Fielding's explanation — effectively removing a prime complaint of the "influential Boston capitalist" who had viewed the government's ability to increase royalties as equivalent to the cancellation of a lease. This amendment meant that the 10 cents per ton royalty rate could not be increased before 25 August 1906 and that a maximum rate of 12½ cents could not be altered before 25 August 1926.[34] While Whitney had initially objected to

30 E. Forsey, *Economic and Social Aspects of the Nova Scotia Coal Industry* (Toronto, 1926), pp. 118-21.

31 The revenue increase for 1891 was only $531.13 more than in 1890. The increase in coal royalties had been larger but had been partly countered by a decline in gold royalties and rentals, and general licenses and leases. Nova Scotia, *Debates and Proceedings of the House of Assembly* (hereafter *Debates*), 13 March 1892, pp. 123-4. In 1892 coal royalties would account for more than 20 percent of provincial revenue. Ferguson, *Fielding*, I, pp. 124-9.

32 C. Fergie to E. Gilpin, 20 February 1892, RG 7, vol. 156, PANS; J. Lithgow to W. Fielding, 6-23 May 1892, RG 7, vol. 124, PANS; *Canadian Magazine* (April 1893), p. 114; *Canadian Mining Review* (May 1892), p. 73 and (August 1894), p. 131.

33 R.G. Leckie to W. Fielding, 2 April 1892; J. A. Grant to W. Fielding, 4 April, 20 April 1892, RG 7, vol. 123, PANS. These two notes from Leckie and Grant in early April appear to be the first direct contact between the Whitney syndicate and the provincial government. When the correspondence between Whitney and Fielding was later tabled in the House of Assembly the first date was 13 May 1892. At that time Fielding acknowledged several conversations in the preceding weeks. Nova Scotia, *Debates*, 21 January 1893, pp. 18-21; Nova Scotia, *Journals of the House of Assembly*, 1893, Appendix 16, pp. 1-8.

34 In 1926 a maximum rate would be set for the period to 1946. Nova Scotia, *Debates*, 25 April 1892, pp. 218-20; C.W. Vernon, *Cape Breton, Canada* (Toronto, 1903), p. 190.

the royalty system and had wanted an outright purchase, he was satisfied with the amendment. The second amendment proposed that, if a company were willing to pay a higher royalty, or engage in extensive operations which would increase provincial revenues even at the same royalty, then a new lease with new conditions could be authorized. Fielding explained that the purpose of this section "was to encourage persons to go into the coal trade on a larger scale than had been hitherto attempted".[35] The amendment was deliberately vague because the Whitney syndicate was not in a position at that time to enter into detailed negotiations. Whitney was simply clearing the decks. Both amendments passed without discussion and the syndicate quickened its march into Cape Breton.

In the next few weeks additional meetings were held between Whitney and Fielding. They went smoothly and Whitney wrote to the premier on 13 May 1892: "I desire simply that the terms and conditions shall be such as to make capital reasonably safe, and I infer from your position in this matter that there is no difficulty in our arriving at a satisfactory understanding about all these matters".[36] Three days later he informed Fielding that he had acquired a purchase option on one of the major Cape Breton mines and was about to secure others. At this time he sought additional assurances and again Fielding's response was encouraging.[37] Representatives of the syndicate returned to Halifax and an agreement was quickly reached. In his report to the Executive Council on 21 May, Fielding expressed his desire to extend the provincial coal trade through the improvement of management and transportation operations by consolidation. "It was particularly desirable", Fielding noted, "that influential capitalists in the United States should be induced to make investments in our coal mining operations". Whitney was especially attractive because he was President of the West End Street Railway Company and owner of the Metropolitan Steamship Company, two large consumers of coal, and because of "his general reputation as a successful operator in large enterprises".[38] The vision of an expanding, efficient coal industry, accompanied by an increase in provincial revenues and led by a New England coal consumer, was very agreeable to Fielding. Doubtless Henry Whitney was equally pleased. At every stage of the proceedings the provincial government had proved to be quite responsive to his wishes. He did not get everything he wanted, such as an outright purchase of the coal desposits, or a royalty rate of 10 cents per ton, but all his major requirements were met. It was certainly a change from his Boston experiences during the same period, where there was strenuous, sometimes effective, opposition to his schemes. The conditions offered by the provincial government

35 Nova Scotia, *Debates*, 25 April 1892, p. 220.

36 H.M. Whitney to W. Fielding, 13 May 1892, RG 7, vol. 124, PANS.

37 H.M. Whitney to W. Fielding, 16 May 1892, RG 7, vol. 124, PANS; Whitney to Fielding, 16 May 1892, Fielding to Whitney, 19 May 1892, RG 7, vol. 156, PANS.

38 W. Fielding, "Report for Executive Council", 21 May 1892, RG 7, vol. 124, PANS.

in May 1892 included an unprecedented 99 year lease, renewable for an additional 20 years, at a fixed royalty rate of 12½ cents per ton. The lease would apply to those holdings which the Whitney syndicate acquired and in return it would guarantee a minimum annual royalty. Fielding assured the syndicate that the government would introduce and support the new lease at the next session of the legislature and urged Whitney to proceed with "all reasonable dispatch" with the necessary arrangements because such an offer could not be extended indefinitely.[39]

By the end of 1892 the Whitney syndicate had exercised most of their options, with the notable exception of the General Mining Association properties, and acquired the support of some of the leading coal operators on the island, including John S. McLennan, managing director of the International Coal Company Colliery at Bridgeport, who became the chief purchaser for the syndicate, and David MacKeen, general manager of the Caledonia Coal Company and Conservative M.P. for Cape Breton.[40] Early in January 1893 Whitney informed Fielding that "As soon as we obtain the legislation which has been talked of, we shall at once go on. We shall organize and take hold of the properties and get to work".[41] After a bit of additional prompting from Whitney, Fielding called a legislative session for the inconvenient date of 19 January. The Conservative opposition was critical of the generous terms and there was some questioning about foreign control, but the Liberal party was very much in command. Fielding, in describing all the benefits that would accrue, cited an old election speech that Charles Tupper had delivered at Sydney when "he declared that what nature intended was that the miners of Cape Breton should sell in the New England market; and he told his hearers that when we had the American market again. . .then would Sydney and Cape Breton flourish as never before". That, declared Fielding, was the "bright hope" to which he was "clinging" as well. The premier was further stimulated by the agitation for tariff reform in the United States and Grover Cleveland's successful bid to regain the American presidency.[42]

In the provincial legislature Conservative opposition leader C.A. Cahan made a prescient observation:

> I know some of the men by reputation who are connected with it, and I know some of them from personal acquaintance; and this one feature has struck me as being of great importance, in endeavouring to ascertain the purpose of the arrangement into which the government propose to enter,

39 W. Fielding to H.M. Whitney, 26 May 1892, RG 7, vol. 156, PANS.

40 *Canadian Mining Review* (August 1894), p. 132.

41 H.M. Whitney to W. Fielding, 4 January 1893, Nova Scotia, *Debates*, 21 January 1893, pp. 20-21.

42 Nova Scotia, *Debates*, 21 January 1893, pp. 15-7.

> that these men are not known as mining men, or as men who have been successful in developing mining interests in this province, but that they have been known as successful operators in the stock market, and as men who have made money in the past, and who will make money in the future by financial transactions which do not depend upon the successful and permanent development of any industry such as the mining industry of this province.[43]

But Cahan mentioned this only in passing and the promise of prosperity carried all before it. The lease, based essentially on the conditions agreed to in May of the previous year, was approved. The Dominion Coal Company was incorporated on 1 February 1893 and organized two weeks later. In a note to Fielding in early March, Whitney stated: "I believe you have never performed an official act which will result in greater benefit to the Province of Nova Scotia than this contract with our people".[44] On the initial board of directors from the Boston area came Henry M. Whitney, President; F.S. Pearson, Engineer-in-Chief; and Robert and Alfred Winsor, who represented Kidder, Peabody and Company, a Boston investment firm. Other directors included H.F. Dimock from New York, Whitney's brother-in-law; Donald A. Smith, Hugh McLennan and W.C. Van Horne from Montreal; B.F. Pearson, who became Secretary, and W.B. Ross from Halifax; and J.S. McLennan, who had come to Cape Breton from Montreal in the early 1880s to manage the International Colliery. David MacKeen became the resident manager. While the American interests were new to the area, the Montreal group was simply strengthening a trend begun a decade earlier.[45]

Dominion Coal was formed "to make money". The government of W.S. Fielding naturally approved and when the legislation concerning Dominion Coal's lease was introduced the Premier stated: "If anyone can show that Mr. Whitney has got a very good bargain out of this undertaking we shall not regret it very much, for we want him to have a good bargain. I want the enterprise to be a success and we want the investors to reap the benefit of their enterprise".[46] A number of people within the industry also approved of a measure of consolidation which would end the cut throat competition that had plagued the industry

43 *Ibid.*, 20 January 1893, p. 7.

44 H.M. Whitney to W. Fielding, 8 March 1893, RG 21, vol. 12, PANS.

45 Directors of the International Colliery included Hugh McLennan and Donald A. Smith. J.C. Webster, "John Stewart McLennan", *Proceedings of the Royal Society of Canada* (Toronto; 1940), XXXIV, p. 15; T.W. Acheson, "The National Policy and the Industrialization of the Maritimes, 1880-1910", pp. 15-6; B.T.A. Bell, *The Canadian Mining Manual and Company Director 1892* (Ottawa, 1892), p. 159.

46 *Canadian Mining Review* (August 1893), p. 143; Nova Scotia, *Debates*, 21 January 1893, p. 27. See also J.M. Beck, *The Government of Nova Scotia* (Toronto, 1957), p. 166.

for decades.[47] There were unquestioned advantages in combining a number of separate, competing coal companies. With the arrival of Dominion Coal came less wasteful methods in contrast to earlier practices. The transportation system was improved; endless haulage ropes, undercutting machines and larger coal wagons were introduced; additional piers, shipping facilities and a coal washing plant were built; and large sections of coal were recovered with little loss. The large scale of the holdings permitted a policy of concentration and reallocation, preventing duplication and allowing for more efficient mining approaches. Nonetheless, while Dominion Coal production went from 826,208 tons in 1893 to 2,561,783 tons by 1901,[48] there were criticisms from within the industry regarding the company's operations from an early date and consolidation did not prove the panacea so often proclaimed.

The list of criticisms of the operations of the Dominion Coal Company over the next decade is extensive. Many of the initial improvements were too experimental, and management attempted "to do too much at one time". In 1896 the Victoria mine "which contained the best quality of coal on the company's areas" was closed, as was the Stirling mine, which had only recently had $200,000 worth of equipment installed and was producing coal cheaper than any other company mine. At the same time, an older, less well equipped mine continued to operate on the same seam at a heavier cost. A few years later came the opening of the Emery seam and the eventual abandonment of a modern plant after an expenditure of over $250,000. One mining critic concluded that "such gross stupidity can only be explained on the ground of utter ignorance and incompetency".[49] One of the difficulties was that most of the people involved in running Dominion Coal had no knowledge of coal mining. Officers of the company in Boston, Montreal and Cape Breton worked at cross purposes, questioned each other's authority and undermined each other's influence.[50] Control was weak and expenditures were extravagant. It was said of

47 B.T.A. Bell stated that the idea of consolidation was an "ancient one" and he suggested that the Pearsons were the latest to come up with the idea. *Canadian Mining Review* (August 1894), pp. 131, 151. C.M. Odell claimed that F.N. Gisborne, D.J. Kennelly, J.S. McLennan and A.C. Ross each had the idea at one time or another. C.M. Odell, "Men and Methods of the Early Days of Mining in Cape Breton", *Journal of the Canadian Mining Institute*, 25 (1922), p. 158; Robert Drummond, *Minerals and Mining* (Stellarton, 1918), p. 193.

48 See Schwartzman, "Mergers in the Nova Scotia Coal Fields", pp. 100-12, for a summary of the advantages of consolidation.

49 *Canadian Mining Review* (August 1894), p. 131; (April 1902), p. 72.

50 "Men, who had distinguished themselves in other professions, such as electrical engineering, civil engineering, and street railway work, were imported to devise and superintend the equipment of coal mines, a policy which undoubtedly cost the company several million dollars, and is represented in Cape Breton today by numerous monuments of folly in the shape of heaps of scrap iron, and abandoned machinery and appliances". *Ibid.*, p. 71. For additional critical assessments see *ibid.*, (December 1895), p. 210; (July 1901), p. 171; (September 1903), p. 186; (December

David MacKeen, who was the first resident manager and who had some experience with the Caledonia Coal and Railway Company, that it

> cost him a considerable effort to enlarge his horizon and to extend a sympathetic embrace to the other, and, in some instances, larger collieries which are now under his management. But if he falls short of a thoroughly comprehensive grasp of the reins of management, he can be relied upon to discourage and frown down any rash and immature experiments, avoiding extravagant changes as much as possible, and working on and up with characteristic Scotch caution and cannieness.[51]

This caution was obviously not shared by others, although many of the costly mistakes appeared after MacKeen resigned.[52]

Another problem may simply have been the scale of both the company and the scheme. When Dominion Coal was launched in February 1893, $12,500,000 of the $18,000,000 stock issue was promotional stock.[53] With the exception of the Montreal group and the Winsors from Boston, few of the individuals involved had much experience in either mining or finance: MacKeen had been responsible for the operation of one colliery; both Pearsons were involved in their first large promotion; Henry Whitney had done little more than engage in land speculation in Brookline, Massachusetts and consolidate the Boston street car system. A simpler explanation has been offered by David Schwartzman. He portrays Whitney as a farsighted financial buccaneer, already heavily involved in the Massachusetts gas manufacturing industry, who was "not primarily interested in profits to be earned in coal mining but in obtaining a cheap source of coal for his gas enterprises". Schwartzman argues "that the founding of Dominion was itself part of the plan to market the inflated securities of the gas company", thus explaining why the company did not operate as a profit maximizing unit.[54] The difficulty with this analysis is a chronological one; while there is some confusion, much of the evidence suggests that Whitney's involvement in the American gas industry was still a few years away.[55] Whitney was motivated by speculative

1903), p. 241; (June 1904), p. 103; and Schwartzman, "Mergers in the Nova Scotia Coal Fields", pp. 108-13.

51 *Canadian Mining Review* (August 1894), p. 132.

52 MacKeen resigned as a Conservative M.P. and went to the Senate in February 1896. Around the same time he resigned as General Manager of Dominion Coal and moved to Halifax and was replaced by Hiram Donkin, who had previously worked on the Cape Breton branch of the Intercolonial Railway and the Dominion Coal Company's Sydney and Louisbourg line. *Canadian Mining Review* (April 1896), p. 87; H.J. Morgan, ed., *Canadian Men and Women of the Time* (Toronto, 1912), pp. 698-9.

53 Forsey, *Nova Scotia Coal Industry*, p. 5.

54 Schwartzman, "Mergers in the Nova Scotia Coal Fields", pp. 120-1, 147.

55 *National Cyclopedia*, XVIII, p. 23, has the gas and pipe line companies organized immediately

concerns, but he does not appear to have had any grand plan in mind. Indeed, it is more likely that he simply tried to take advantage of opportunities as they arose in a somewhat shortsighted manner.

From the beginning Whitney did emphasize the need for Dominion Coal to regain the New England market. It was an old dream, shared by many people since the end of reciprocity, including Premier Fielding who, in mid-February 1893, explained:

> The principal new market which we hope to reach is in the New England States. . .where our coal is now met by a hostile tariff which we hope will soon be abolished. . . .It appears to me that New England capitalists who were themselves coal consumers, were more likely than any others to be useful in helping us to obtain a market for our coal in that country.[56]

In 1894, with President Cleveland's support, the American House of Representatives did erase the 75 cents per ton duty on imported coal and put coal on a free list. Had the Senate confirmed this policy, Dominion Coal stock would have greatly increased in value, but the Senate raised the duty back to 40 cents per ton — in spite of a "desperate effort" by Henry Whitney. This was a blow to the company which, at the time, "seemed almost fatal, since they had expressed the utmost confidence in the passing of the measure, and had spent enormous sums of money in equipping their mines and building railways and piers on the strength of the possibility of the New England market".[57] In fact, the hope of a large American market for Cape Breton coal was unrealistic. A variety of anti-smoke legislation affected the price and amount of bituminous coal consumed in the Boston area from the mid-1890s. By this time New England needs were easily met from the new Virginia mines and the production of

prior to the formation of Dominion Coal. Forsey, *Nova Scotia Coal Industry*, p. 6, implies the gas company existed by 1894. Powers, *Portraits*, p. 201, and Vernon, *Cape Breton*, p. 206, have these companies coming sometime after the organization of Dominion Coal, as does *Morang's Annual Register of Canadian Affairs 1901* (Toronto, 1902), p. 95. Contemporary accounts from Lawson, Weidenfeld and Company, a brokerage firm which issued a four part information series late in 1897 on *Boston Gas and Dominion Coal* and one on *Boston Gas and New England Coke*, which included material from the Whitney interests; Lawson, *Frenzied Finance;* and other sources suggest that Whitney's gas scheme did not make an appearance until 2½ years after Dominion Coal was organized. See also *Canadian Mining Review* (May 1896), p. 114; (April 1902), p. 72, and below.

56 R. Brown, *The Coal Fields and Coal Trade of the Island of Cape Breton* (London, 1871), p. v; Nova Scotia, *Debates*, 26 March 1889, p. 270; Nova Scotia, *Debates and Proceedings of the Legislative Council*, 6 May 1891, p. 50; *Canadian Mining Review* (August 1894), p. 151; C.O. Macdonald, *The Coal and Iron Industries of Nova Scotia* (Halifax, 1909), p. 30; Fielding to Editor [?], 15 February 1893, Fielding Papers, vol. 485, PANS.

57 *Canadian Mining Review* (April 1902), p. 71; F.W. Taussig, *The Tariff History of the United States* (New York, 1923), p. 229; Forsey, *Nova Scotia Coal Industry*, p. 6.

bituminous coal in the United States was doubling every decade from 1840 to 1910. The competition which resulted from this tremendous expansion put intense pressure on Washington from both the coal producers and the railways in the United States. Indeed, within a couple of years the American duty was increased to 67 cents per ton.[58] By 1895 coal sales to the United States were still only 10% of the St. Lawrence market and an even smaller percentage of Maritime consumption. The small amount of coal that did find its way south was sold at little or no profit, and went mainly to railroads in an attempt to establish a market.[59]

Although the price of Dominion Coal stock declined with the failure to break into the New England market, the Whitney interests continued their quest to turn coal into gold. As promoters and speculators, they were not content simply to sit back after consolidation and reap the more modest benefits which would follow from a steadily increasing Canadian market. There was a large amount of Dominion Coal stock, but because of the initial expenditures and the failure to regain a solid foothold in New England it was not worth very much. Something was needed to enhance Dominion Coal's stock market value. B.F. Pearson wrote letters to Chambers of Commerce and newspaper editors in an attempt to establish markets for Nova Scotia coal in places such as Newcastle-Upon-Tyne, in England. There were also investigations in Germany and experiments centering on the use of coke on the New York, New Haven and Hartford Railway line. The latter proved rather successful and a new scheme began to evolve in 1895.[60] Throughout that year members of the syndicate were quite active in the Halifax area in street railways and property speculation. In the spring of 1895 the Halifax Electric Tramway Company was incorporated; its directors included Whitney, MacKeen, W.B. Ross and John Payzant of Halifax, and James Ross from Montreal. In August the company purchased the Halifax Street Railway Company, the Nova Scotia Power Company, and the Halifax Illuminating and Motor Company. Three weeks later a land company, formed by B.F. Pearson, John Payzant and others, purchased property to turn into a housing development after it was connected to the tramway system.[61] Finally, in

58 W.J. Lewis Parker, *The Great Coal Schooners of New England* (Mystic, 1948), pp. 18-9, 86-9; E.S. Moore, *American Influence in Canadian Mining* (Toronto, 1941), p. 10; W. Whitman, *Free Coal* (Boston, 1891), pp. 11-2; A. Dick, "Markets Tributary to Nova Scotia Coal", *Nova Scotian* (October 1903), p. 9; W. Graebner, "Great Expectations: Search for Order in the Bituminous Coal Industry", *Business History Review*, 48 (1974), pp. 49-72; W.C. Milner, "Cheap Coal and National Progress", *Industrial Canada* (August 1905), pp. 23-4; Macdonald, *Coal and Iron Industries, pp. 195, 200.*

59 Forsey, *Nova Scotia Coal Industry*, pp. 118-9; *Canadian Mining Review* (June 1896), p. 138.

60 B.F. Pearson Account book, 1894, MG-3, vol. 193, pp. 403-5, PANS; Lawson, Weidenfeld, *Boston Gas and Dominion Coal*, II, pp. 203; III, p. 4.

61 Marlboro Woods file, PANS; Peoples' Heat and Light Company, MG-3, vol. 195, PANS; Lawson, Weidenfeld, *Boston Gas and Dominion Coal*, IV, p. 11.

December, the People's Heat and Light Company purchased the old Dominion Penitentiary building and site for a coke oven plant. Active in Peoples' Heat and Light at this time were Whitney, both Pearsons, MacKeen and J.S. McLennan. The idea behind the new plant was to convert coal into coke, gas, tar and ammonia and the lessons learned were to be utilized in a larger scheme scheduled for Massachusetts. Early in 1896 Whitney and now-Senator MacKeen held discussions with Sir Charles Tupper concerning a federal charter for the Halifax company.[62] Construction proceeded but some initial favourable reports, including an estimate that the company would be consuming 30,000-40,000 tons yearly by 1897, were soon more than balanced by reports of severe construction difficulties, including the replacement of the original ovens by a different type.[63]

These developments in Halifax were minor compared to those which unfolded in Massachusetts at the same time. Whitney placed great hopes on his plan to convert coal into its various by-products for sale in the Boston area. When he publicly announced his Massachusetts Pipe Line Gas Company proposal in January 1896, it was immediately linked by the *Canadian Mining Review* with the Dominion Coal Company: "Should the gigantic scheme which Mr. H.M. Whitney is now seeking to carry through the Massachusetts legislature become a *fait accompli*, a permanent market for a very large quantity of Cape Breton coal would be assured".[64] But in Boston Whitney was confronted with strenuous opposition. For years there had been an intense gas war raging between the Standard Oil and the Bay State concerns for control of the making and distribution of gas. Whitney entered during a lull in the hostilities, seeking "a complete consolidation scheme, whereby all the Boston gas companies were to be consolidated, and for the term of ninety-nine years to be absolutely free and unhampered by any of the laws now existing or to come into existence, for the regulation and restriction of the manufacture of gas". A former Attorney General and spokesman for some of the existing gas companies argued that Whitney, having been saddled with the Dominion Coal Company and having failed to have the American tariff removed, was attempting to establish a captive market by this franchise. The Independent Democratic Organization of

62 P. Blakely, *Glimpses of Halifax, 1867-1900* (Halifax, n.d.), p. 183; *Morning Chronicle* (Halifax), 5,7, 10 December 1895; *Canadian Mining Review* (April 1896), pp. 86-7 and (October 1896), p. 219.

63 *Ibid.*, (December 1896), p. 243, and (April 1897), p. 173 give favourable reports. For a rousing condemnation see the report of Lawson's emissary, sent to Halifax in October 1897, in Lawson, Weidenfeld, *Boston Gas and Dominion Coal*, IV, pp. 3-4, 8-11. In 1897 Peoples' Heat and Light absorbed the Halifax Gas Light Company and in 1902 was itself taken over by Halifax Electric Tramway which, in turn, was later acquired by Nova Scotia Tramways and Power Company. See C. Armstrong and H.V. Nelles, "Getting Your Way in Nova Scotia, Tweaking Halifax, 1909-1917", *Acadiensis*, V (Spring 1976), pp. 105-31.

64 *Canadian Mining Review* (April 1896), pp. 86-7.

Boston reprinted an address by one of their members which strongly condemned the powers of monopoly to be given to Whitney's company, the taking away of the "people's perogative of eminent domain", the tax-free status, and the long-term lease.[65]

The terms and the tone of the proposed charter — consolidation, length of lease, tax status — were vintage Whitney. So also was his attitude: when approaching government ask for the most favourable terms imaginable and then settle for something less. But when Whitney entered the Boston gas situation he had also to contend with the Standard Oil and Bay State concerns. One representative of the latter was Thomas Lawson. Eventually Whitney and Lawson came to an agreement whereby Bay State agreed to let Whitney secure the charter and both would share the benefits. Whitney was responsible for getting the charter approved by the Massachusetts legislature. Lawson was aware that Whitney "was deep in a speculative venture", Dominion Coal, and he soon understood why Whitney appeared little concerned about the legislators.[66] Over the years Whitney had developed a complex but effective organization in Massachusetts. Headed by his lawyer, George H. Towle, "the Whitney machine. . .worked together with that fine solidity and evenness which can be attained only by constant practice and much success. In comparison with this competent organization, an average 'Tammany Gang'. . .would look like a hay-covered snow-plough in August".[67] The Massachusetts Pipe Line Gas Company charter, well lubricated with cash and Bay State and Dominion Coal stock, passed both Houses of the legislature and the stock values of the latter concerns rose. But when the governor vetoed the bill, "both stocks began to sink in price like pigs of lead from a capsized boat". In a last desperate effort Whitney attempted to persuade the legislature to override the veto. Again the stocks shot up but public opposition was too strong and in the end Whitney was forced to agree to a charter which limited the price at which the gas could be sold.[68]

The setback was a minor one. The Massachusetts Pipe Line Gas Company, it soon became clear, was only part of a larger plan. The company's role was simply to purchase gas from another concern, the New England Gas and Coke Company, also controlled by Whitney, and then to distribute it.[69] Some of the

65 For a detailed description of the episode see Lawson, *Frenzied Finance, passim;* Lawson, Weidenfield, *Boston Gas and New England Coke,* p. 13; *Arguments of Ex-Attorney General A.E. Pillsbury on the Whitney Gas Bill Before the Committee on Manufacturers of the Massachusetts Legislature, 23 March 1896* (Boston, 1896); Coakley, *A Crime Against the People,* pp. 3-14; *The 'Massachusetts Pipe Line Co.' bill* (Boston, 1896?).

66 Lawson, *Frenzied Finance,* pp. 133-40.

67 *Ibid.,* pp. 150-1.

68 For a detailed description of the Whitney machine and the fascinating story of the pipe line charter and the politicians see *ibid.,* pp. 149-61. See also Josephson, *Robber Barons,* pp. 398-9.

69 *Massachusetts 14th Annual Report of the Board of Gas and Electric Light Commissioners*

interesting financial manoeuvres surrounding these two concerns were brought out when the Massachusetts Pipe Line Gas Company violated its charter by issuing $1,000,000 worth of stock without authorization. The Pipe Line Company deposited this stock issue with Central Trust of New York. New England Gas and Coke subscribed to the whole issue, and Whitney assigned his rights in the Pipe Line Company to it as well. On the basis of these holdings, New England Gas and Coke borrowed $12,000,000 from Central Trust and them issued stocks with a par value of $17,500,000 and bonds of equal value. "It was a clear case of inflated security values. The company issued bonds equal in value to its 'assets' which consisted of a loan and an unauthorized stock issue in another company as well as stocks nominally of the same value".[70] Eventually the Pipe Line Company did seek approval for a stock issue, which was granted. The New England Gas and Coke Company also ran into difficulties with the Board of Gas and Electric Light Commission of Massachusetts but this issue was resolved when it was brought out that, although it had "clothed itself in the garb, and assumed the form and appearance of a corporation", it was an unincorporated, voluntary association.[71] Nor was this the end of the shrewd financial transactions. The base of Whitney's scheme was the Dominion Coal Company, which would supply coal to the New England Gas and Coke Company which, in turn, would sell the gas produced to the Massachusetts Pipe Line Gas Company. In September 1897 New England Gas and Coke was organized and on 30 September a contract was signed between Dominion Coal and New England Gas and Coke. At the same time, Whitney announced plans to construct the large plant at Everett, Massachusetts which would convert Dominion coal into coke and its profitable by-products. At this point the minimum amount mentioned was 2,000,000 tons of coal annually. Whitney publicly maintained at the time that he could carry on a profitable business with the new concern simply by the sale of coke and calculated that he could sell the gas by-product to existing gas companies at between four and five times less than the going rate. Not everyone believed him but with the announcements of these developments the stock value of both concerns rose, and work at Everett proceeded.[72]

The contract between Dominion Coal and New England Gas and Coke had a direct effect on the Cape Breton coal industry. Again, "what nature intended" had finally come to pass, or so it seemed. Even though the amount estimated for

(Boston, 1899), p. 29.

70 *Report of the hearing before the Gas and Electric Light Commission showing the illegality of the Massachusetts Pipe Line Gas Company, and the New England Gas and Coke Co.* (Boston, 1898), pp. 13-6; Schwartzman, "Mergers in the Nova Scotia Coal Fields", pp. 118-9.

71 *Report of Gas and Electric Light Commissioners*, pp. 45-57; Lawson, Weidenfeld, *Boston Gas and New England Coke*, pp. 2-4, 14-8.

72 Lawson, Weidenfeld, *Boston Gas and Dominion Coal*, I, pp. 2-3; II, pp. 2-3, 7; III, pp. 1-12.

the contract quickly declined to 800,000 tons annually, it appeared that the elusive New England market had finally been regained. In early February 1899, Whitney stated that New England Gas and Coke would commence in April to consume around 750,000 tons yearly. In 1898 coal sales from Nova Scotia to the United States had been 98,027 tons but in only one year (1903-968,832 tons) would sales exceed 800,000 tons and while there were considerable fluctutations, the trend was downward from that point.[73] According to Whitney spokesmen at the time, the agreement would also give the Dominion Coal Company "a handsome profit on every ton of coal thus used" and utilize slack coal, which was hard to sell, in a winter market.[74] The Everett works did begin to take Dominion coal by the spring of 1899 but there were problems almost immediately. The amount of slack coal normally produced by the company was nowhere near 800,000 tons annually and in order to meet the New England demands the Dominion Coal Company was unable to supply other markets. Since the demand for Dominion coal by early 1900 was "away beyond the possibilities of the present output" and these missed markets offered a much higher price, within the industry it quickly became an "open secret" that the contract was not a profitable one for the coal company. In 1900 Dominion Coal received an average price of $2.25 per ton whereas market prices ranged between $3.50 and $4.00. The contract had become "manifestly the greatest mistake which could possibly have been made".[75] Or, as Schwartzman concluded, "the Dominion contract was part of the scheme to sell the securities of the gas company".[76] The close relationship among the various concerns controlled by Whitney suggest that Dominion Coal had indeed been used in a manner that proved to be more advantageous to the promoters than to the profitable operation of the coal company. Yet, even with this low cost service, which "almost ruined" Dominion Coal, the New England Gas and Coke Company was itself precariously close to collapse within a couple of years, quite possibly for similar reasons.[77]

While the New England Gas and Coke Company plant was still under construction, Henry Whitney also began to develop yet another scheme which would have a tremendous impact on the Cape Breton area. Late in 1897 successful experiments regarding the utilization of Dominion Coal in steel making were carried out by the Nova Scotia Steel Company at their Ferrona Works. Less successful were discussions of a proposed merger between the

73 Forsey, *Nova Scotia Coal Industry*, p. 119; Nova Scotia, *Debates*, 15 March 1899, p. 136.

74 Lawson, Weidenfeld, *Boston Gas and Dominion Coal*, III, p. 5; Schwartzman, "Mergers in the Nova Scotia Coal Fields", pp. 113-4; *Canadian Mining Review* (March 1899), pp. 54-5.

75 *Canadian Mining Review* (January 1900), p. 34; (December 1900), p. 268; (June 1901), p. 147; (April 1902), p. 72; Schwartzman, "Mergers in the Nova Scotia Coal Fields", p. 114.

76 Schwartzman, p. 119.

77 *Canadian Mining Review* (October 1901), p. 246; (April 1902), p. 72; Schwartzman, "Mergers in the Nova Scotia Coal Fields", pp. 109, 117-21.

Whitney interests and the prosperous and cautious Scotia Steel concern.[78] Nonetheless, Whitney proceeded with his plans to establish an iron and steel industry in Cape Breton. Dominion coal, as the tests had proved, could be used and it was a decided advantage to the coal company to have a large, local consumer. Limestone was locally available, and Whitney also acquired options to some of the vast, rich iron ore deposits which had recently been discovered on Belle Isle, Newfoundland.

As in the past, Whitney turned to the provincial government for assistance. Early in February 1899 he sought, and soon received, substantial concessions from the Liberal Government now headed by George Murray. While Whitney's request for a complete remission of royalty for five years on all coal to be used in the new industry was not granted, he was granted a 50% royalty reduction.[79] Even more important was the question of federal bounties. In June 1897, bounties to the Canadian iron and steel industry had been extended and increased and now included the use of foreign ore. This largesse was scheduled to cease in April 1902 and the newly formed Nova Scotia Steel and Iron Company was initially unsuccessful in an attempt to get the bounties extended.[80] Whitney, however, was in close contact with W.S. Fielding, now Laurier's Minister of Finance, who informed Premier Murray in early February 1899 that he was working out some plans which, while not exactly what the Whitney interests requested, would be acceptable to them. Fielding proved valuable indeed. He gave advice to Whitney, who eagerly accepted it — "I desire to be guided by you in all matters connected with this movement" — and solicited the support of Laurier and his cabinet colleagues.[81] Whitney later explained that Fielding was "friendly to the matter of the extension of the bounty period from the time of my first mention of the subject to him".[82] Yet Whitney repeatedly emphasized the necessity of the bounty extension. In February he told Fielding that "This is so large an amount of money that the support of the government for a short time will be required towards enabling the raising of the necessary capital" and the

78 G. Fraser to H. M. Whitney, 5 September 1900, Charles Tupper Papers, vol. 12, Public Archives of Canada [hereafter PAC].

79 Nova Scotia, *Debates*, 15 March 1899, pp. 136-7; E. Porritt, *The Revolt in Canada Against the New Feudalism* (London, 1911), pp. 114-5.

80 For a detailed description see Porritt, *Revolt in Canada*, pp. 111-30, and his "Iron and Steel Bounties in Canada", *Political Science Quarterly* (June 1907), pp. 193-223. It would appear that Whitney acquired an option on some of the Wabana deposits in Newfoundland by January 1899. H.M. Whitney to Charles Hamlin, 10 February 1899, Fielding Papers, vol. 506, PANS; G. Fraser to H.M. Whitney, 5 September 1900, Tupper Papers, PAC.

81 W. Fielding to G.H. Murray, 7 February 1899, Fielding Papers, vol. 431, PANS; H.M. Whitney to W. Fielding, 10 February 1899, Fielding Papers, vol. 506, PANS.

82 H.M. Whitney to G. Fraser, 7 September 1900, Tupper Papers, PAC; W. Fielding to H.M. Whitney, 13 February 1899; Fielding to R. Cartwright, 28 March 1899; Fielding to Cabinet, 12 April 1899, Fielding Papers, vol. 431, PANS.

following month assured the finance minister that a five year bounty extension was "essential". "Without it", he told Fielding in April, "no one would be justified in making the large investment required to produce iron and steel by the methods, which, under modern conditions, are essential to success".[83] In mid-May 1899 Fielding informed Whitney that the bounty period extension would be approved on the condition it be put on a sliding scale: "I think that the prospects of such an arrangement are so good that, in urgent matters, you might safely assume that the thing will be done, and act accordingly".[84] Whitney did so and the following month the Dominion Iron and Steel Company was formed. In August the bounties — estimated at the time to be worth over $8,000,000 to Dominion Iron and Steel — were extended to 1907. At the municipal level Dominion Iron and Steel was also generously treated; the company received a 480 acre site, which the town had expropriated, and a thirty year tax exemption.[85]

Many of the original members of the Dominion Coal Company were on the Board of Directors of the new steel company. Henry Whitney was again president. He was joined by his brother-in-law, H.F. Dimock; B.F. Pearson; W.B. Ross; W.C. Van Horne; J.S. McLennan; and David MacKeen. One addition was an English gentleman residing in the United States, A.H. Paget, who had married Whitney's niece. The remainder of the Board were primarily from Montreal and Toronto.[86] At a reception in Sydney Whitney stated: "I believe that the establishment of these iron works will be the means of introducing the town of Sydney to the length and breadth of the whole world. I cannot control my enthusiasm when I think of the future". A.J. Moxham, the steel plant's first general manager, was equally expansive, saying that "the whole wide world is her market, all of it, and in our modesty we do not ask for more".[87] The optimistic statements surrounding the creation of Dominion Iron and Steel even exceeded those which had accompanied the formation of Dominion Coal early in the 1890s. There were other suggestive similarities. A contract was signed between Dominion Iron and Steel and Dominion Coal in late June 1899 and, although the coal market was booming by this time, coal would be supplied to the steel plant at a below market price. One estimate in 1901 had almost 90% of

83 H. Whitney to W.S. Fielding, 10 February, 24 April 1899, Fielding Papers, vols. 50, 6; Fielding to C. Sifton, 12 April 1899, C. Sifton Papers, vol. 73, PAC. W.J.A. Donald, *The Canadian Iron and Steel Industry* (Boston, 1915), p. 203 felt that Whitney would have continued without the bounty.

84 W. Fielding to H.M. Whitney, 13 May 1899, Fielding Papers, vol. 132, PANS.

85 Porritt, *Revolt in Canada*, pp. 115-9; *Canadian Mining Review* (October 1899), pp. 257-8.

86 They included G.A. Cox, Elias Rogers, Robert MacKay, James Ross, R.B. Angus, Michael Dwyer and A.F. Randolph. W.B. Ross to W. Fielding, 30 June 1899, Fielding Papers, vol. 506, PANS; *New York Times*, 23 November 1916.

87 *Canadian Mining Review* (November 1899), p. 289; *Industrial Canada* (20 February 1901), p. 175.

Dominion Coal production claimed by low price contracts. And there was a large amount of promotional stock; $15,500,000 of the total stock issue of $5,000,000 preferred and $20,000,000 common.[88] Dominion Iron and Steel received permission to pay dividends on preferred stock while the plant was under construction and the company's stock became "the sport of stock exchange speculations".[89] The benefits received by or promised to the steel company — the bounties, the contract which favoured Dominion Iron and Steel at the expense of Dominion Coal, and other largess bestowed by the different levels of government — were intimately connected to the promotion of steel company stock.[90]

There was one other characteristic which Dominion Iron and Steel shared with the other concerns in which Whitney and his friends were involved and it almost proved fatal. "Reckless and extravagant expenditure and miscalculation" were evident from the beginning. Whitney and Moxham "were as extravagant in building the plant as in talking of it" and the latter "had no idea of costs, nor did he know how to organize and adjust the various departments". A rail mill was partially erected and then discarded and replaced by another type. Considerable expense was incurred before it was realized that the type of ore was unsuitable to the Bessemer process. There were frequent changes in staff. Mistakes were made on both a grand and a small scale. The Board of Directors of the steel plant had even less practical experience in the business than had the Dominion Coal board when it was formed and they were strongly criticized for failing to control and direct those under them. The reckless expenditures, the incompetence, the blunders, all added up. Between $7,000,000 and $8,000,000 were wasted in construction; the entire plant, it was estimated, could have been built for two-thirds of what it actually cost.[91] A lead article in the *Canadian Mining Review*, entitled "The Dark Hour of the Dominion Iron and Steel Co. Ltd.", declared:

> It would appear as if one of the soundest and most promising business propositions ever laid before the public had been brought perilously near to absolute failure by a series of almost incomprehensible blunders. . . .The company's history has been one of kaleidoscopic changes, of extravagance, vacillation and blundering. South Africa as a graveyard for military reputations finds a parallel in Cape Breton as a place of interment for

88 Donald, *Canadian Iron and Steel*, p. 257; *Canadian Mining Review* (August 1899), p. 223; (June 1901), p. 147; and Forsey, *Nova Scotia Coal Industry*, p. 8.

89 Jeans, *Canada's Resources*, pp. 125-6; Porritt, *Revolt in Canada*, pp. 114-9.

90 Schwartzman, "Mergers in the Nova Scotia Coal Fields", pp. 118-20; Canada, House of Commons, *Debates*, 8 March 1901, pp. 1168-9.

91 *Canadian Mining Review* (April 1903), p. 76; (May 1903), p. 99; (September 1903), pp. 185-6; (June 1904), pp. 102-4; Jeans, *Canadian Resources*, pp. 118, 124; Drummond, *Minerals and Mining*, p. 235.

> reputations won in various fields of industry.[92]

Even the contract between Dominion Iron and Steel and Dominion Coal was soon considered to be "just as foolish as the one made by the Dominion Coal Company. . .with the Everett Gas Company".[93]

The continuous difficulties experienced by Dominion Coal and the problems associated with the construction of Dominion Iron and Steel hastened Whitney's withdrawal from the affairs of the Cape Breton coal and steel industry. Control of both concerns passed to Central Canadian interests headed by James Ross before the first steel was manufactured in Sydney in December 1901. The change was widely praised at the time, primarily because Canadian capitalists "of the highest standing" were placed in control, but the difficulties were not so easily dispersed.[94] Whitney remained on the boards for a while longer but he no longer played an important role. Unconfirmed reports continued to link him with various parts of the island — in the Port Hawkesbury area, at Inverness and Port Hood, and at Port Morien ready to develop coal deposits with a variety of syndicates, and in Sydney to establish a dry dock — but Whitney was essentially finished with Cape Breton. His plan of 1899 to make "Nova Scotia more or less my home", like so many other plans, remained unfulfilled.[95] In 1904 he became president of the Boston Chamber of Commerce and the following year ran unsuccessfully on the Democratic ticket for Lieutenant Governor of Massachusetts.[96] Henry Whitney's Cape Breton saga had ended.

In 1906 Finance Minister Fielding told Whitney that:

> I have always regarded your coming into Nova Scotia to identify yourself with our mining interests as one of the most important events in the industrial life of Eastern Canada. Our country was rich in mineral wealth, and many of our own people were carrying on enterprises of a commendable character in connection therewith. But there was need of men possessing the command of larger capital and, what was perhaps more important, larger views as to how great enterprises could be best carried on. That need was supplied by the coming of yourself and your associates. . . .[97]

92 *Canadian Mining Review* (April 1903), p. 75.

93 *Ibid.* (September 1903), p. 186.

94 *Ibid.* (June 1901), p. 147; (July 1901), p. 171; (November 1901), p. 259; (April 1903), pp. 75-6; Donald, *Canadian Iron and Steel*, p. 257.

95 *Canadian Annual Review of Public Affairs*, 1903, pp. 509-11; 1904, pp. 539-40; *Industrial Canada* (May 1902), pp. 322-4; *Canadian Mining Review* (March 1902), p. 46; (September 1903), p. 197; (June 1904), p. 118; *Monetary Times* (13 July 1903), p. 149; H.M. Whitney to W. Fielding, 19 July 1899, Fielding Papers, vol. 506, PANS.

96 Doucet, "Henry M. Whitney", pp. 8-9.

97 W. Fielding to H.M. Whitney, 24 November 1906, Fielding Papers, vol. 458, PANS. See also Drummond, *Minerals and Mining*, p. 235.

Years later one of Whitney's daughters added:

> He loved to develop things — to take something untried and new and see if he could create a new industry or product. After it was all developed and going he was not interested any more — it was the creative aspect that he enjoyed. I don't think he was a very good administrator — routine bored him.[98]

But the value of the "larger views" and the "creativeness" exhibited by Whitney must be reassessed. The decade in which Whitney had been intimately involved in Cape Breton had been expansive and expensive. Whitney was an organizer in a financial rather than an industrial sense, and in his role as a stock promoter he set the tone and scale for future exploitation of the island's resources. He was not primarily concerned with operating either Dominion Coal or Dominion Iron and Steel solely as productive, profitable industries. Always he had a scheme which, in the final analysis, when viewed in conjunction with the intricate connections among Dominion Coal, Dominion Iron and Steel, Peoples' Heat and Light, Massachusetts Pipe Line Gas and New England Gas and Coke, was directed at the stock market. The costs of such an approach were both direct and lasting. The low cost contracts signed by Dominion Coal, for example, were partly borne by the miners through low wages, and the "speculative promotion left a legacy of high costs, which allowed the [steel] plant to be profitable only in times of high prices".[99] Thus it would appear that some of the criticisms levelled at local entrepreneurs during this period of industrialization may also be applicable to external entrepreneurship. While Whitney and his colleagues did have access to capital markets, they also demonstrated limited industrial experience and poor management of resources. The costly blunders and extravagance of mismanagement demonstrated all too well the oft times contradictory purposes of stock market manipulations and industrial development. And while it was somewhat ironic that an American's consolidation of the coal industry and his establishment of the steel plant facilitated the trend begun in the 1880s to integrate these industries into the national economic structure, the situation was hardly improved.[100]

In one of its many lead editorials on Dominion Iron and Steel and Dominion Coal, the *Canadian Mining Review* concluded: "When one considers the high character, and even the remarkable achievements of several of these men in the

98 Josephine Whitney Duveneck to L. Doucet, 18 August 1951, Whitney File, Beaton Institute, Sydney.

99 *Canadian Mining Review* (May 1901), p. 108; Schwartzman, "Mergers in the Nova Scotia Coal Fields", p. 129.

100 See Acheson, "Industrialization of the Maritimes", pp. 15-6; D. Frank, "The Cape Breton Coal Industry", p. 12.

realms of finance and public life, it becomes still more obvious that such experience does not equip men to control and direct a highly technical industrial enterprise".[101] Yet such individuals received a hearty welcome in Nova Scotia. Whitney's relationship with Fielding, which dated back to the spring of 1892, proved quite advantageous to him. From it developed a very receptive atmosphere for industrial capitalism within the province. While there certainly had not been antagonism towards capitalism within government circles before this time, Whitney and Fielding continued to develop the relationship in important ways. When Fielding went to Ottawa he proved invaluable there during the formative period of Dominion Iron and Steel. The response in Nova Scotia, so notably different from the reaction in Massachusetts to Whitney's schemes, clearly illustrated the difficulties and the costs involved in an approach which attempted to promote industrial development by making capital's burden very light indeed.[102] Henry Melville Whitney, like his brother, was a true son of the Gilded Age — a period characterized by stock manipulation and corporate consolidation — in both background and practices. But fortunes were lost as well as gained during these frenzied times and Henry Whitney suffered heavy financial reversals in his later years. When he died, peacefully, at his home in Brookline, Massachusetts in January 1923 at the age of eighty-three, he left $1,222.90.[103] That was not a great deal more than a steelworker or miner working for one of the Dominion companies would have earned in that year. But then 1923 was not a particularly good year in industrial Cape Breton.

101 *Canadian Mining Review* (September 1903), p. 185. A few years later, after a tour of the Sydney plant, an Englishman informed the *Times* readers that "In Canada they have a way, which does more credit to their courage than to their prudence, of taking hold of enterprises without any proper training or experience". Dr. A. Shadwell, *Times* (London), 15 August 1908.

102 See Beck, *Government*, p. 166.

103 In 1909, for example, he lost $500,000 in a coal mine scheme in Rhode Island. Doucet, "Whitney", pp. 7-10.