

Max Aitken and Maritime Finance

James D. Frost

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REVIEW ESSAYS/NOTES CRITIQUES

Max Aitken and Maritime Finance

HAS ANY ENTREPRENEUR MADE as big an impact in such a short period of time as Max Aitken did? He burst on the scene in 1902, as John F. Stairs's executive assistant, and from the time his mentor died two years later, he never looked back. The Canadian career of the future Lord Beaverbrook is the subject of a book by Gregory P. Marchildon, *Profits and Politics: Beaverbrook and the Gilded Age of Canadian Finance* (Toronto, University of Toronto Press, 1996).¹ This is a very interesting book about a fascinating individual who deserves better than his 100th placing out of the 100 most important Canadians of the last century.² Marchildon compares Aitken with the American junk bond salesman Michael Milken, who took home \$718 million U.S. in 1986 and eventually landed in jail. But to this writer, Steven Hudson, the 30-plus *wunderkind* who until the fall of 1999 ran Newcourt Capital, a latter-day version of Royal Securities Corporation, was Max Aitken reincarnated.³

Marchildon's volume is part of an impressive body of work which, among other issues, has addressed the activities of John F. Stairs and the "Scotia" group.⁴ The most interesting part of Aitken's career are the early years when he and Stairs were the biggest players in Maritime industry and finance. In some respects, the questions Marchildon first raised in an article published by Acadiensis Press in 1993⁵ are even more pertinent than Marchildon's biography of Aitken during his short, but remarkably influential, Canadian career. In examining the Scotia group's activities in the Maritimes and the Caribbean in the period just after the turn of the 20th century, Marchildon rejected the notion that John F. Stairs was a regional patriot, instead suggesting that he was merely driven by profit-maximization and acting as would any member of his class. He has also examined the evolution of the corporate law tradition in Atlantic Canada, which emerged from within the Scotia group, in support of their various financial undertakings. Marchildon also examined the genesis of the Montreal Engineering Company, a true creature of Aitken's genius, which was spawned by the Royal Securities Corporation (RSC) in 1907, and which constituted one of the world's first consulting engineering companies. It provided in-house engineering and purchasing management services to RSC and its various utility promotions in the

1 Perhaps *Profits in the Gilded Age of Canadian Finance* would have been a more apt title, since politics only enter into the picture on page 202 of a 245-page book and after Aitken had left Canada behind. Moreover, as Aitken did not become Lord Beaverbrook until eight years after his arrival in England, one has to conclude that the title has more to do with selling books than the subject matter.

2 Graham Rawlinson and J.L. Granatstein, *The Canadian 100: 100 Most Influential Canadians of the 20th Century* (Toronto, 1998).

3 Ann Kingston described Steven Hudson in a brilliant article in *Report on Business Magazine*. See Kingston "The Loan Ranger", *Report on Business Magazine* (October 1996), pp. 44-54.

4 The "Scotia" group is named for the individuals usually associated with Nova Scotia Steel and Coal and consisted of John F. Stairs, Robert E. Harris, George Stairs, Charles H. Cahan and Max Aitken. After John F. Stairs's death, Aitken brought in Izaak Walton Killam and Arthur J. Nesbitt.

5 Marchildon, "John F. Stairs, Max Aitken and the Scotia Group: Finance Capitalism and Industrial Decline in the Maritimes, 1890-1914", in Kris Inwood, ed., *Farm, Factory and Fortune: New Studies in the Economic History of the Maritime Provinces* (Fredericton, 1993), pp. 197-218.

Caribbean and Latin America.⁶

One of the challenges in examining Aitken's career is separating fact from fiction, and truth from half-truth, since Aitken himself was a master myth-maker and propagandist. So too, are his biographers, including a recent *Acadiensis* reviewer who believed Aitken's less than modest claim that "Royal Securities was me", and that he had established the company. He did nothing of the sort.⁷ Marchildon offers several versions of how the Halifax financier John F. Stairs and the future Lord Beaverbrook met. In one version, young Max tried to sell Stairs a typewriter. In another one, they met on the "Sydney Flyer" from Truro to Halifax, and either Stairs invited Aitken to his home for dinner, or he found Aitken the next day sitting in Stairs's place of business "busily at work at a desk in the office" (pp. 25-6).⁸ Supposedly impressed with Aitken's gumption, Stairs allowed him to remain. At first he worked as his executive assistant, helping with various new promotions, including Acadia Pulp and Paper in Newcastle, New Brunswick, Munro Wire Works in New Glasgow and the new Robb-Mumford Boiler Company, which was being established in Boston.

In August and September 1902, Stairs and his lawyer-partner, Robert E. Harris, were preoccupied with the Commercial Bank of Windsor/Union Bank of Halifax merger. The idea that Stairs asked Aitken to "steal a bank" and to do so "with a velvet glove" is probably not accurate. This was not Stairs's style, nor his language. Nor does Aitken's diary suggest that he was rewarded with \$10,000 for his efforts. Inasmuch as every conceivable financial transaction was noted in the very same diary, it is likely that this was a story that Aitken concocted later in life.⁹ Aitken was, however, in on most of Scotia's other transactions. His diaries reveal extensive trading in Nova Scotia Steel and Coal shares, as well as Trinidad Electric Company, the Camaguey Railway Company in Cuba and Mexican Light Heat and Power. Marchildon suggests that this is an indication that Stairs and his cohorts were moving

6 Gregory P. Marchildon, "The Montreal Engineering Company and International Power: Overcoming the Limitations of the Free-Standing Utility", in Mira Wilkins and Harm Schroter, *The Free-Standing Company in the World Economy, 1830-1996* (Oxford, 1998), pp. 391-418; "The Role of Lawyers in Corporate Promotion and Management: A Canadian Case Study and Theoretical Speculations, C.H. Cahan and H.A. Lovett: Corporate Entrepreneurs and Lawyers", *Business and Economic History*, Second Series, 19, (1990), pp. 193-202; "International Corporate Law from a Maritime Base: The Halifax Firm of Harris, Henry, and Cahan", in Carol Wilton ed., *Essays in the History of Canadian Law, Beyond the Law: Lawyers and Business in Canada, 1830-1930*, Vol. IV (Toronto, 1990), pp. 201-34 and Barry Cahill, "Corporate Entrepreneurship in Atlantic Canada: The Stewart Law Firm, 1915-1955", in Carol Wilton, ed., *Essays in the History of Canadian Law, Inside the Law: Canadian Law Firms in Historical Perspective*, Vol. VII (Toronto, 1996), pp. 280-319.

7 Ironically, the article by Margaret McCallum was titled "Making Myths and Making Good: Maritime Business Biographies", *Acadiensis*, XXI, 1 (Autumn 1991), pp. 180-90. See also Lord Beaverbrook, "My Early Life", *Atlantic Advocate* (February 1964), pp. 16-19, (March 1964), pp. 17-20, (April 1964), pp. 25-7.

8 See also Aitken's business correspondence from May 1902, Beaverbrook Papers, House of Lords Records Office, London England [HLRO] and microfilm (Canadian Correspondence), Public Archives of Nova Scotia, Halifax, Nova Scotia [PANS] and Aitken's diaries from August 1902, HLRO.

9 The notion that Aitken was sent to Windsor to "steal a bank with a velvet glove" first appears in A.J.P. Taylor's biography of Beaverbrook. See Taylor, *Beaverbrook* (London, 1974), p. 39. It was also suggested to the author in an interview with John Budden (John F. Stairs's grandson) who had met

their sphere of interest outside the country.¹⁰ The first months of 1903 were occupied with the Alexander Gibson Company refinancing in Marysville, New Brunswick, the People's Bank of Halifax purchase and the refinancing of the Moir's chocolate factory.¹¹ In April Stairs and Aitken were into deep discussions with A.E. Ames and W.D. Ross regarding Stairs's proposed Alliance Bank, involving the merger of several Maritime banks and the Metropolitan Bank of Toronto. Aitken's diary reveals an intuitive understanding of a very complex business, which he seems to have grasped in lightning quick fashion.

Given the insatiable thirst for capital that Nova Scotia Steel and Coal and the group's other promotions had, Stairs and his partners decided to establish an all-purpose investment and stockbroking operation. It would be just the second such company in Canada, as Dominion Securities in Toronto had been founded two years earlier. The "objects for which the company [was] established" were "to carry on business as investors, capitalists, financiers, concessionaires, brokers and agents, and to undertake and carry on and execute all kinds of financial, commercial trading and other operations".¹² It was originally set up to "make a market" to sell the Scotia group's securities, which other Halifax stockbrokers, such as J.C. Mackintosh and F.B. McCurdy, could not or would not sell. Aitken and the salesmen he recruited, some of whom would become icons of Canadian business – I.W. Killam, A.J. Nesbitt and Ward Pitfield – would find new sources of capital in the Maritime countryside, from farmers, fishermen, sea captains, shipbuilders and rich widows. It was their intention to issue the securities of their newly incorporated enterprises through a corporation which limited their liability to the amount of capital they had originally invested.¹³ Given Stairs's financial manoeuvrings of the previous decade, during which he had consolidated the sugar and rope-making industries and brought together the coal and steel industries around New Glasgow, one wonders from where he derived his inspiration. Did it come from the United States or the United Kingdom? Was it J.P. Morgan, or any number of other finance capitalists of the same era? Marchildon does not answer this intriguing question.¹⁴

John F. Stairs, George Stairs, Robert E. Harris, Charles H. Cahan and Max Aitken incorporated Royal Securities Corporation in April 1903. The company was capitalized at \$50,000, and the partners initially subscribed amounts ranging from \$1,000 to \$1,900, for a total of only \$10,000. The People's Bank of Halifax, which Stairs and Harris virtually controlled, were appointed the new firm's bankers.¹⁵ Aitken

Beaverbrook personally and who may have had the same story passed on to him. As Anne Chisholm and Michael Davie point out in their more recent biography of Beaverbrook, he could be very loose with the truth and often made up stories about his past, especially when it came to his "colonial" roots. See Chisholm and Davie, *Beaverbrook, A Life* (London, 1992). In particular see Appendix "B", "Beaverbrook as Historian", pp. 545-8.

10 Aitken, *Diaries*, 13 September 1902, HLRO.

11 Ibid., 28 February 1903, 20 March 1903, pp. 27, 43, HLRO.

12 Royal Securities Corporation (RSC) *Minutes*, May 1903, pp. 3, 5, Merrill Lynch, Toronto [ML].

13 See Christopher Armstrong, "Making a Market: Selling Securities in Atlantic Canada before World War I", *Canadian Journal of Economics*, XIII, 3 (August 1980), pp. 438-54 and *Blue Skies and Boiler Rooms: Buying and Selling Securities in Canada, 1870-1940* (Toronto, 1997).

14 Nor have I discovered the answer as yet.

15 RSC *Minutes*, 26 May 1903, ML.

was in for 19 shares, or \$1,900, and may have had half or all of his share subscription paid for by Stairs, as payment for his involvement in the Commercial Bank of Windsor deal. Aitken was set up to manage the firm's day-to-day operations at a salary of \$750 for 1903 and \$1,500 the following year.

During its first year, the fledgling investment house was preoccupied with local matters, including underwriting the stock of Robb Engineering in Amherst and purchasing additional shares of Nova Scotia Steel and Coal.¹⁶ RSC was also becoming increasingly involved in selling the shares of Trinidad Electric, of which John F. Stairs was president. Aitken began to demonstrate a quality which would later characterize most of his business dealings. RSC was approached to reorganize and perhaps merge two skate makers, including the venerable Starr Manufacturing Co., but Aitken told them RSC would only do it if they did not have to raise any capital.¹⁷ He had little time for mushy sentiment.

By 1904 RSC and Aitken found themselves increasingly preoccupied with Caribbean and Latin American ventures.¹⁸ Perhaps, having been spurned in Central Canada on many occasions, Stairs and his colleagues had decided to look south and east, where they and their fellow Maritimers had found, as trading partners, a warm welcome in the past. Nova Scotia Steel and Coal was still the mainstay of the group's activities as RSC agreed to underwrite \$650,000 of its second mortgage bonds.¹⁹ Even at this early juncture, however, Max was beginning to have reservations about RSC's exposure to Scotia. He thought it ridiculous that they should underwrite \$1.5 million of Scotia's bonds, which would be used to complete the new steel plant being constructed in North Sydney, when RSC had earned only \$85,000 profit in the past year. Aitken, however, was still playing the role of the loyal employee, stating, "I do not recommend the value of this deal to Royal Securities Corporation, and I do not intend to take the responsibility of saying that it could be carried successfully to completion, but if the directors decide to go for it, they can depend upon hard work and effort on the part of the secretary".²⁰

Aitken was with his mentor in Toronto in September 1904 working on Nova Scotia Steel and Coal refinancing and the Alliance Bank merger, when John F. Stairs collapsed from angina pectoris. Stairs contracted pneumonia and, with his wife Helen and Aitken both at his bedside, died 17 days later. In a letter to a colleague in Montreal, Aitken's sorrow masked a portent of his future behaviour: "I have suffered an irreparable loss in the death of my nearest and dearest friend, and never expect to hold any man again, so near my heart".²¹

16 RSC *Minutes*, 15 June, 9 July, 3 November 1903; 22 January 1904, ML; Aitken to John F. Stairs, 12 June 1903, Beaverbrook Papers, HLRO and Correspondence, PANS.

17 Thomas Bell to Aitken, 19 May 1903; Aitken to Bell, 22 May 1903, Beaverbrook Papers, HLRO and Correspondence, PANS.

18 Christopher Armstrong and H.V. Nelles, *Southern Exposure: Canadian Promoters in Latin America and the Caribbean* (Toronto, 1988). RSC may not have been as preoccupied with the Caribbean as Nelles and Armstrong suggest. Most of Aitken's travel to the end of 1903 was to Montreal, Toronto, Boston and New York.

19 RSC *Minutes*, 21 May, 22 August 1904, ML.

20 Aitken to Harris, 17 September 1904, Beaverbrook Papers, HLRO and Correspondence, PANS.

21 Aitken to Simpson Garland, 15 October 1904, Beaverbrook Papers, HLRO and Correspondence, PANS.

George Stairs, eight years younger than John F., assumed the presidency of Royal Securities upon his brother's death. The younger Stairs made a very kind gesture towards Aitken at his brother's funeral, but it is quite clear from Marchildon's account that the latter had never been totally accepted by the "Scotia" group (pp. 40-1). While John F. Stairs had been quite open to Aitken's suggestions, George Stairs viewed him as junior and very inexperienced. Nor could he harness the youthful enthusiasm, and perhaps vision, of Aitken. It was probably understandable that there would have been some jealousy towards Aitken, and some resistance to his ideas, for George Stairs would have wanted also to remain loyal to his brother's friend, Robert E. Harris. Harris, on the other hand, made the fatal mistake of underestimating and humiliating Stairs's protégé, rather than encouraging him and using him to build the Scotia group empire. For a time, Aitken was content to carry out the grand design laid out by his mentor, including the Alliance Bank merger, which he was still working on at the end of October 1904.²² However, he groused at having been awarded a bonus of only \$10,000 for his services in connection with the new bond issue.²³

In March 1905 Aitken became managing director of RSC, and his salary increased to \$4,000 per annum. There was a tug-of-war over who would assume the presidency of Nova Scotia Steel and Coal in the wake of Stairs's death. Given RSC's role in financing Scotia, it was Aitken's and RSC's view that it should select the company's new president. Aitken very much wanted to see George Stairs in the position, but owing to his own poor health, the younger Stairs demurred. Aitken was, by this time, also expressing reservations about the condition of the company, and the need for strong leadership: "The company is not in good shape and the Sydney Mines works must be finished before the earnings will improve".²⁴ The main obstacle was Scotia's vice president, Senator James D. McGregor, who was very interested in the job, but not considered suitable. The result was a tussle between the Halifax and New Glasgow interests who controlled Scotia, and in the end, Robert E. Harris assumed the position. Aitken by this time felt under-appreciated by both Harris and George Stairs.

Aitken had also been given to understand that, for his role in obtaining the Scotia presidency for Harris, he was to be named a director in the company. This was never forthcoming, and for this he never forgave Harris. The company's minute books reveal none of this infighting. From all outward appearances, it was "steady as she goes". By the time of the annual general meeting in 1907, Royal Securities Corporation was still a relatively small organization with paid-up capital of only \$95,000 and profits for the year a rather paltry \$47,368. Its portfolio of debentures, stocks and bonds amounted to \$429,732, and besides Nova Scotia Steel and Coal, included regional industries such as Minard's Linament, Robb Engineering and Brandram Henderson, a paint factory in Halifax, whose stock it had helped float. They made three flotations on their own account, Amherst Foundry Company, Porto Rico Railways and Camaguey Electric Company and had purchased almost all of the stock of Dartmouth Electric Company. Aitken was also given instructions to "incorporate a company, to be known as the Canadian Engineering Company, or such name as may

²² *Moncton Times*, 23 October 1904.

²³ Aitken to Jaffray, 31 October 1904, Beaverbrook Papers, HLRO and Correspondence, PANS.

²⁴ Aitken to W.D. Ross, 1 February 1905; Aitken to C.H. Cahan, 9 March 1905, Beaverbrook Papers, HLRO and Correspondence, PANS.

be decided upon, and that such company be capitalized at \$25,000".²⁵ Thus, the Montreal Engineering Company was born.

For the most part, in early 1907, Aitken and George Stairs got along quite well. On a number of occasions, however, Stairs admonished Aitken for what he considered unprofessional business practices:

Now I wish it distinctly understood that when I negotiate a loan for the Royal Securities Corporation that details of agreement are to be carried out in every respect. . . . I am accustomed, when making a financial arrangement, to carry the agreement through in every respect and always do so in any business that I undertake, and I trust in future if I have to make any arrangements that they will be carried out simply as I make them. . . . I dislike very much these sorts of financial hitches. I am not accustomed to them and do not care to have any further repetition of same.²⁶

Some of Aitken's behaviour should have been grounds for dismissal, as at times it amounted to rank insubordination. The first real signs of a falling out between Aitken and the Scotia group occurred in 1907, over Aitken's purchase of Montreal Trust Company, and his move to Montreal itself. Stairs read the situation perfectly when he commented "I see you are centering everything in Montreal, so that after a while Halifax will be but a branch office",²⁷ but he seemed unwilling or unable to do anything about it. Aitken was, after all, still RSC's employee, and Stairs was the president. By fall 1907, Aitken was proposing to reorganize RSC, with the head office in Montreal and a branch office in Halifax. He had already suggested that the Montreal office be given control of the corporation's bank accounts.²⁸ What stuck in the Halifax partners' craw, however, was his insistence that an executive committee be established, which would not include Harris. He also wrested the office of Demerara Electric Company away from Halifax, arguing that it should be managed by Aitken's new brainchild, RSC's Engineering Department. As a sop to George Stairs and other Halifax interests, Aitken offered to transfer Montreal Trust's credit account from the Royal Bank to the Union Bank of Halifax.²⁹

By early 1908, it was evident that Aitken and the Scotia group were on a collision course. Aitken was moving in one direction, while George Stairs and Harris had other ideas. In a sense, John F. Stairs had created a monster, which neither his brother nor Harris could control any longer. To be sure, Aitken was incredibly devious, and insubordinate at times. For the most part, he was still respectful in his dealings with the older men and, by and large, their correspondence is free of rancour. There does, however, appear to be some sniping between Aitken and Harris, and George Stairs tried Aitken's patience at times. Still loyal to his mentor, Aitken subtly tried to drive a wedge between his friend, George Stairs and Harris. Stairs was in a tough spot

²⁵ RSC *Minutes*, 1 March 1907, ML.

²⁶ George Stairs to Aitken, 29 January 1907, Beaverbrook Papers, HLRO and Correspondence, PANS.

²⁷ George Stairs to Aitken, 25 May 1907, Beaverbrook Papers, HLRO and Correspondence, PANS.

²⁸ RSC *Minutes*, 28 February 1907, ML.

²⁹ Aitken to George Stairs, 18 October 1907, Beaverbrook Papers, HLRO and Correspondence, PANS.

caught between loyalty towards his brother's best friend and Aitken, his brother's protégé. For all of their written communication, however, it is not at all clear that they understood each other, or what role RSC should play. Harris's enmity towards Aitken and his refusal to live up to his promises got in the way of the bigger picture. To what degree, however, was Aitken carrying out some larger scheme, which he almost certainly would have discussed with John F. Stairs, or to what degree was he acting on his own, by now, very well-defined, instincts?³⁰ How well did each of the parties understand the larger scheme, if indeed there was one?

Reflecting their differing perspectives, indeed ambitions, Aitken arranged to sell the assets of Royal Securities to the company's sales manager, Gerald Farrell, with backing from William Mackenzie of the Canadian Northern Railway, whose daughter Aitken was rumoured to be marrying. As Aitken remarked: "I am delighted at the prospect of liquidating, and while the price we have accepted for our good will is entirely too low, still the purposes for which the Corporation was organized have now really disappeared. My only regret is that the association which I have with you as President will be terminated".³¹ His relationship with Harris went from bad to worse, as Harris complained about being asked on one day's notice for large amounts of money for his share of the Porto Rico underwriting.

Prior to the liquidation of Royal Securities, Aitken arranged for all its assets to be transferred to the new Bond and Share Company he had established. He also had an offer from an unnamed source (in fact the Royal Bank) to purchase Montreal Trust, the original source of much of the friction between himself and the rest of the Scotia group. They aimed to have the liquidation wrapped up by 15 March 1908. By 11 March Aitken could report that he had cleaned up all of the liabilities due the corporation by its Montreal and Toronto shareholders, leaving mostly Harris and W.B. Ross as its major delinquents.

In a letter which bared all, Aitken somewhat disingenuously poured out his feelings to George Stairs, and at the same time gave an indication of what was to follow:

I don't believe in promoting small companies. I do believe in promoting large companies. I think that in the promotion of a large enterprise the market can be better left to those persons who specialize in marketing securities only and do not engage in promoting. My business from this time forward is purely promoting. The extent to which I will give to other lines in which I am engaged will be regulated entirely by the arrangements I can make for selling our good will, etc.

All the foregoing is the product of experience. Had we gone on with the Royal Securities Corporation as an organization [to which interest] I have given my best endeavours up to January, my policy would have gathered together an aggregate of financial institutions

30 Marchildon neither asks nor answers this question, but it is quite clear he would support the latter view.

31 Aitken to George Stairs, 24 January 1908, Beaverbrook Papers, HLRO and Correspondence, PANS.

on just the same lines as the Morgan Trust Company and its allied interests. Probably the success would have been satisfactory, but the change is at present pleasing. The Royal Securities Corporation is largely the result of my efforts. In a small way I am proud of it. Had I begun with the same experience which I have now its success, I believe, would have been greater.³²

Royal Securities was sold to Gerald Farrell for \$95,000, effective 23 March 1908, although there were some stocks still to be disposed of at the end of the month. Then, unexpectedly, George Stairs died of a heart attack while finalizing the liquidation of RSC. As Marchildon speculates, it is likely he inherited a weak heart, but the additional strain of dealing with Aitken and liquidating RSC probably killed him (p. 128). Like the death of his brother John F. before him, George Stairs's death hit Max hard: "There is not anything I can write you about Mr. George Stairs which will make matters any easier; consequently I won't attempt to say anything about it. Next to Mr. John Stairs death, I have never had anything which affected me more".³³

Significantly, Aitken did not go to Halifax for the funeral, pleading illness. According to Almon Lovett, "with his death it seems that a large part of the business life in Halifax will go by the board". As far as Aitken was concerned, it had already gone by the board the day John F. Stairs died. "In the future" they could not "look for very much assistance from the East" (p. 128). He did offer to put himself at the family's disposal regarding matters financial, especially those of the Dartmouth Manufacturing Company, the Stairs family holding company. Aitken proposed selling off most of its assets, and his comments reflect the degree to which the original design of William J., John F. and George Stairs had faded into the sunset.³⁴

Afterwards, Aitken showed his true colours, becoming absolutely ruthless in dealing with Harris and the remnants of the Scotia group. The final rupture occurred in late 1908. The sale of RSC to Farrell may have been a smokescreen, as Farrell's purchase was a fiasco. Since he had been a long-time employee of Aitken, his work habits and (over) spending proclivities would have been well known to Aitken. Within months Aitken was back in the saddle, with an entirely new board of directors, and nary a single representative from the Maritimes. For all intents and purposes, except for one notable exception, Aitken had severed his relationship with Halifax. The rest of the RSC story has been more than adequately told by Marchildon in *Profits and Politics*.

The "Scotia Raid" of 1910 pitted Aitken, no longer the young upstart, but a formidable 30-year-old finance capitalist fresh from consolidating both the Canadian cement and the railway car manufacturers, against his old nemesis Robert E. Harris. Aitken discussed his plans to merge all of Canada's steel companies into one giant corporation, with all but one of the potential targets, Nova Scotia Steel and Coal. With intimate knowledge of the company's affairs and limitations, he approached Scotia through a third party, which proved unsuccessful. He then tried a contingency plan

32 Aitken to George Stairs, 16 March 1908, Beaverbrook Papers, HLRO and Correspondence, PANS.

33 Aitken to Edward Stairs, 14 April 1908, Beaverbrook Papers, HLRO and Correspondence, PANS.

34 Ibid.

which, as Marchildon points out, likely amounted to the first hostile takeover bid in Canadian history (pp. 188-94).³⁵ When Aitken bought large chunks of Scotia stock, Harris responded by passing a 20 per cent stock bonus to the shareholders, which was intended to push up the cost of acquiring shares while maintaining the shareholders' favour. Aitken was not deterred, and by February 1910, he was confident that he and his cohorts had succeeded in buying a controlling bloc of shares; it only remained to put his supposition to a vote. Harris fought back by having his own third party investors, many of them based in the United Kingdom and totally disinterested in a colonial spat, buy back shares from Aitken's group. Aitken retaliated with some heavy buying at the eleventh hour, but found himself outnumbered at the annual meeting of the shareholders. Aitken may have had the last laugh, however, as a mere two weeks later he pulled off the Stelco merger, and Scotia was left out in the cold (pp. 194-8).³⁶

Most of Aitken's Canadian career, after the death of John F. Stairs, was a betrayal of everything his mentor stood for. With the exception of his modest Caribbean forays, Stairs had remained remarkably loyal to both his city and region. At his death, the biggest projects in play were Nova Scotia Steel and Coal, the Alliance Bank, the Swan Hunter shipbuilding project in Halifax and the Gibson Company restructuring, not Trinidad Electric, as Marchildon has suggested.³⁷ It could be argued that Aitken's split with Harris sealed the fate of the Nova Scotia steel industry by leaving the better company out of the Stelco merger. Aitken also transferred control of one of the region's largest industrial enterprises, Rhodes, Curry and Company, to Montreal as part of the Canada Car and Foundry merger, an act that would have been anathema to John F. Stairs. Stairs had pioneered many mergers, as in Consumers Cordage, Acadia Sugar and Nova Scotia Steel and Coal, but it was always in order to keep control in the Maritimes.

One of John F. Stairs's talents was his ability to bring together seemingly disparate interests to work towards a common goal. There is much evidence to this effect, in his work with Nova Scotia Steel, Acadia Sugar and Consumers Cordage. Clearly, however, he would not have tolerated the friction between Harris and Aitken. But would he have been able to control the upstart Aitken, his protégé? One way of controlling Aitken was by rewarding him with jobs and increasing responsibility. As Marchildon indicates, Harris was too short-sighted and insecure to see this (pp. 121-8). It is reasonable to conclude that Harris's enmity for Aitken kept Scotia out of both the Canada Car and Foundry and Stelco mergers and thus sealed its fate forever. Scotia was eventually absorbed into the British Empire Steel (Besco) merger in 1921, with disastrous consequences. The small (by North American standards) Nova Scotia Steel and Coal, built and nurtured by local interests, was ultimately sacrificed at the altar of high finance and hubris. It is difficult to disagree with Marchildon's assertion that "Just six years after John F. Stairs' passing, Aitken had turned his mentor's small Maritime bond house into a transatlantic investment bank, and was operating in the very centre of the British Empire and world finance. Stairs himself would have been

35 See also Marchildon, "International Corporate Law from a Maritime Base", pp. 201-34.

36 See also William Kilbourn, *The Elements Combined: A History of the Steel Company of Canada* (Toronto, 1960).

37 Marchildon, "John F. Stairs, Max Aitken and the Scotia Group", pp. 197-218.

astonished” (p. 182). It is tempting to ask what would have happened if Stairs had lived past the age of 56, and if he could have continued to harness Aitken’s many talents. Would they have succeeded with their Alliance Bank merger, a shipbuilding project they were negotiating with Swan Hunter and the continuing development of Scotia? Would Aitken, Killam, Nesbitt and Pitfield have all ended up in Montreal and London, or would Halifax have emerged from Montreal’s shadow?

JAMES D. FROST