

# The american fur company case analysis



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The American Fur Company was a relentless monopoly operating in the climatic era of the fur trade. It was established by John Jacob Astor in 1808. The company was created at a time that was favorable to its expansion; it even grew to have a more powerful presence than the federal government over vast areas. This case study analysis will evaluate John Astor in terms of his motives, managerial ability, and ethics. This case study would also delve into a brief history of the fur trade in America and its impact on society.

A Brief History of the American Fur Industry. Anyone who has ever observed a fur trapper separating a pelt from a recently killed animal knows it is a gruesome, painstaking procedure. Yet this very act, repeated countless millions of times, was a surprisingly vital component in the early history of the United States. The hunting and killing of animals for their skins affected the survival of the Pilgrims and their precarious, debt-ridden colony; the relentless exploration of wild places prior to settlement; and the rapid decline and near demise of numerous mammalian species.

Fur became an item of great economic importance to the development of America, but it was politically important as well. The existence of French Canada depended upon the profits of the fur trade. France was not going to spend money on an unproductive outpost, and it was fur that kept Canada solvent. The beaver became a factor of empire, and battles were fought and treaties delayed over who was to control access to prime trapping areas. The future of North America depended on the flashing paddle and the beaver trap as much as it did on muskets and bayonets.

In *Fur, Fortune, and Empire*, best-selling author Eric Jay Dolin chronicles the rise and fall of the fur trade of old, when the rallying cry was “ get the furs while they last. ” Beavers, sea otters, and buffalos were slaughtered, used for their precious pelts that were tailored into extravagant hats, coats, and sleigh blankets. To read *Fur, Fortune, and Empire* then is to understand how North America was explored, exploited, and settled, while its native Indians were alternately enriched and exploited by the trade.

As Dolin demonstrates, fur, both an economic elixir and an agent of destruction, became inextricably linked to many key events in American history, including the French and Indian War, the American Revolution, and the War of 1812, as well as to the relentless pull of Manifest Destiny and the opening of the West. The book concludes at the dawn of the 20th century, when the mass mayhem is largely over. Target animals have been hunted to the point where large-scale harvesting is no longer economically viable, and states across America have begun to enact regulations against furbearers.

While this effort was better late than never, the damage was largely done. In the 1850s, as many as 60 million buffalo roamed North America; by 1889, barely 1, 000 remained. This grand extermination was fairly predictable: Local extirpation of species began within decades of the arrival of European Colonists. The bad luck for New England’s beaver in the early to mid-1600s was that felt hats fashioned from its pelts were all the rage in Europe, where the locals were running out of their own beavers. The species had been extinct in England for a century prior to the Pilgrims’ landing.

Dolin writes that by the mid- to late 1600s, “ Ironically New England, where the English fur trade had begun, was no longer a factor in the growing competition for furs in eastern North America. ” While mountain men out West would do some of the fur trapping, and the unimaginable slaughter of the buffalo was done almost exclusively by American hunters, a great deal of the fur trapping described in the book was done by native Americans, who grew fond of what pelts could bring them – guns, metal implements, cloth, wampum, and liquor.

And the trading was more or less fair while it lasted. But the sad fact was that once the animals were gone from a region, in order to keep acquiring European trade goods, tribes resorted to selling off their lands, making them increasingly less independent and self-sufficient. Fur Industry’s Effect on Society The fur trading industry played a major role in the development of the United States and Canada for more than 300 years. The fur trade began in the 1500’s as an exchange between Indians and Europeans.

The Indians traded furs for such goods as tools and weapons. Beaver fur, which was used in Europe to make felt hats, became the most valuable of these furs. The fur trade prospered until the mid-1800, when fur-bearing animals became scarce and silk hats became more popular than felt hats made with beaver. Traders and trappers explored much of North America in search of fur. They built trading posts in the wilderness, and settlements grew up around many of these posts. Some of these settlements later became such major cities as Detroit, New Orleans, and St.

Louis in the United States; and Edmonton, Montreal, Quebec, and Winnipeg in Canada. Also as a result of the Fur trade, the beaver population depleted, Indian trappers became debilitated, tribal cultures buckled under the pressure of new economic motives, tools and values. Consequently, since production fell within an area, the traders moved and settlers moved in developing farms and towns. The Indians in that area were either killed or moved by the government. Unfortunately, this process was repeated to form settlement patterns that we know today in the United States.

**John Jacob Astor: America's First Multi Millionaire.** John Jacob Astor, the man most closely associated with the American fur trade and whose name is a synonym for wealth surpassing imagination, became involved in the business without ever setting a trap. The German-born immigrant to the United States, who rose from obscurity to build a financial empire, typifies the great American success story. John Astor was born in Waldorf, Germany and at age 20 he came to the United States, first to Baltimore and later to New York City.

Having few resources, he worked in a variety of jobs including a bakery assistant, a peddler and manager of a music store. In 1787, Astor entered the fur trade and in a few years became one of the wealthiest men in America. He simplified his business by dealing directly with Native American trappers and established two successful companies, the American Fur Company (1808) and the Pacific Fur Company (1810). His dream was to establish a single trading company with headquarters at the mouth of the Columbia River, and serve the entire American West.

Toward that end, in 1811 he erected a trading station at the site of present-day Astoria, Oregon. When the British blockaded the post during the War of 1812, Astor sold out to them. The fort became the property of the U. S. government at the war's conclusion. Following the war, Astor invested in a small fleet of ships to carry his furs to Europe and the Far East, particularly China. This international trade was immensely profitable, allowing Astor to invest heavily in farmland on Manhattan Island. Those parcels quickly became midtown properties, further enriching Astor.

In 1834, he sold his fur businesses and retired to manage his considerable assets. Astor's Motives, Managerial Ability and Ethics . Astor made astonishing profits. He was ruthless in developing several strategies to undermine the competition. He saturated territory with his agents who bought every fur they could get their hands on from Indians before the competition got to them. Astor utilized economies of scale by purchasing trade goods in huge quantities so as to lower the costs, his agents then paid for fur with these trinkets.

Astor even allowed alcohol to flow freely during negotiations which was an advantage that the government could not match. Furthermore, Astor was able to defeat some of his major competitors by merging and acquiring smaller firms, engaging in price competition with his toughest competitors, placing trading posts next to his competition's, and shadowing the rival's trapping parties to find the rich sources of beaver. Astor was also able to maximize profits of his company by manipulating prices with his traders.

He would buy trade goods at a low cost in London then ship it to a trading post in America to be traded with the Indians at a higher cost than the actual value of the goods. The Indians were not allowed to pay money for the trinkets, but were able to exchange it for fur or on credit. Some tribes were hopelessly mired in debt, owing the American Fur Company as much as \$50 000 each. Since trade goods have sky-high markups, Astor could not lose much even if the tribal debts grew.

In fact, the indebtedness forced tribes to trade furs with him rather than competitors. Astor's traders and trappers fared no better. He marked up trade goods heavily before selling them to traders. Often, traders were in debt to Astor or had mortgaged their trading posts to him and were forced to mark up trade goods heavily themselves before selling them to Indians and trappers. Trappers employed by the American Fur Company were ruthlessly exploited. They worked unlimited hours in hazardous conditions and extreme weather, but when Astor achieved dominance in an area, he cut their salaries from \$100 a year to \$250 every three years.

They had to buy trade goods and staples at markups that were higher than those charged to the Indians to get furs. Overall, Astor contrived a lucrative and pitiless system that amplified his fortune by diminishing those caught in his workings. He was obsessed with minor details and diminishing the smallest of unnecessary expenses

**CONCLUSION** The American Fur Company and its competitors, with all their faults and shortcomings, have helped shaped the economic, political, and cultural life of North America. The fur traders marked the trails that were followed by settlers.

They built trading posts where later appeared thriving towns and cities.

Furthermore, they knew the Indians better than any other class of white men who came among them. John Jacob Astor, although a very successful entrepreneur, was ruthless in terms of how he achieved his fortunes. He gained his wealth at the detriment to several people that worked for him. He was so blinded by his own greed that he never considered being more charitable and giving, any sign of kindness that he may have showed had an ulterior motive that would eventually increase his profits.