

**The Canadian Agency and
British Investment in Western Canadian Land
1905 - 1915**

Thesis submitted for the degree of
Doctor of Philosophy
at the University of Leicester

by

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Abstract

The Canadian Agency and British Investment in Western Canadian Land, 1905 - 1915

John Frederick Gilpin

The Canadian Agency was established in 1906 by Arthur Morton Grenfell for the purpose of organizing British capital for investment in Canada. The role of this agency was to promote Canadian interests in London, create a market for Canadian shares and bring quality Canadian stocks to this market to ensure its proper operation. The creation of the Canadian Agency took place at an opportune moment to reap the potential benefits of handling the increased capital flow from Britain to Canada since British interest in investing in Canada and the capital needs of the Canadian economy were starting to rise dramatically because of railway construction, immigration, urbanization, consolidation within various industries and the anxieties of the British aristocracy over the economic policies of Lloyd George.

The timing of the creation of the Canadian Agency does not, however, indicate that Arthur Grenfell recognized this trend and acted upon this knowledge accordingly. The Canadian Agency's creation derived from more personal reasons which included the Fourth Earl Grey's appointment to the office of Governor-General of Canada which served as the catalyst for Arthur Grenfell to create this family and class based investment group.

In the context of the relationship between Britain and Canada, the collapse of the Canadian Agency represents a lost opportunity to establish a stronger economic relationship between the two countries and provides a perfect example for the critics of Canadian investment which had predicted a disastrous end to the Canadian boom.

Table of Contents

Abstract		
Acknowledgments		
Preface		p.8
Chapter One	British Foreign Investment in the Nineteenth Century	p.10
Chapter Two	International Context of the Canadian investment boom	p.49
Chapter Three	Canadian Context of the Canadian investment boom.	p.78
Chapter Four	Social Context of the Canadian investment boom	p.115
Chapter Five	Creation of the Western Canada Land Company and the Canadian Agency.	p.146
Chapter Six	The Western Canada Land Company 1907-1914	p.177
Chapter Seven	Southern Alberta Land Company 1906-1912	p.209
Chapter Eight	Other Activities of the Canadian Agency	p.240
Chapter Nine	Other British Land Companies 1906-1914	p.267
Chapter Ten	Decline and realisation of assets 1912-1915	p.298
Chapter Eleven	Conclusion	p.339
Appendix A	Companies Incorporated in England	p.364
Appendix B	Companies Incorporated in Scotland	p.367
Bibliography		p.368

Tables

Table One	Land Acreage Patented in Manitoba, Saskatchewan and British Columbia, 1895 - 1914.	p.89
Table Two	Land Sales by Land Grant Railways and the Hudson Bay Company, 1896 - 1916	p.90
Table Three	Land Sales by the Canadian Pacific Railway Company, 1896 - 1916	p.91
Table Four	Immigrant Arrivals in Canada, 1896 - 1916	p.106
Table Five	Canadian Foreign Trade, 1897-1914	p.108
Table Six	Canadian Terms of Trade, 1896-1913	p.109
Table Seven	Foreign Trade - Exports to U.K., U.S. and Other Countries, 1886-1916	p.110
Table Eight	Foreign Trade - Imports from U.K., U.S. and Other Countries, 1886-1916	p.111
Table Nine	Canadian Agency Profits, 1907-1914	p.175
Table Ten	Western Canada Land Company Land Sales, 1907-1914	p.186
Table Eleven	Canadian City and Town Properties, Limited Land Purchases	p.283
Table Twelve	Canadian Dominion Development, Limited Land Purchases	p.296
Table Thirteen	Securities Held By the Alberta Land Company As Security For Its Funds On Deposit With the Canadian Agency	p.326
Table Fourteen	Canadian City and Town Properties, Land Sales, 1913 - 1954	p.336

Graphs

Graph One	Value of Common Stock on the London Stock Exchange of the Western Canada Land Company, 1906 - 1914	p.179
Graph Two	Value of Common Stock on the London Stock Exchange of the Southern Alberta Land Company, 1907 - 1914	p.223

Maps

Map One	Canada	p.79
Map Two	Physical Geography of Western Canada	p.82
Map Three	Township Survey Showing Distribution of Land	p.87
Map Four	Railway Construction to 1896	p.95
Map Five	Railway Construction to 1915	p.96
Map Six	City of Edmonton, 1904	p.102
Map Seven	City of Edmonton, 1913	p.103
Map Eight	Land Holdings of the Western Canada Land Company	p.148
Map Nine	Land Holdings and Irrigation Works of the Southern Alberta Land Company	p.215

Preface

This thesis began with an article entitled 'Urban Land Speculation in the Development of Strathcona (South Edmonton), 1891-1912' which dealt with land speculation in a specific community in western Canada. It was my contribution to a collection of essays dealing with various aspects of the development of the Canadian West published in honour of my M.A thesis adviser Dr. L.H. Thomas. Strathcona existed as a community separate from Edmonton, Canada between 1891 and 1912. It was a product of the boom in railway construction and settlement with its major period of growth occurring between 1907 and 1913. Land development in Strathcona was characterized by a high rate of investment in the creation and promotion of urban land in comparison with the rate of investment in its actual utilization. This discrepancy reflected Strathcona's position on an investment frontier that was dominated by other urban centres as far away as London. The rate of investment depended on investor confidence in the region and was irrelevant to the actual needs of the community. The combined effects of local boosterism and the availability of capital for real estate investment created a very bloated urban community that symbolized, along with Laurier's railway policy, a high degree of overconfidence in the West. The rhetoric of the boosters that stressed permanence and progress was contradicted by the fact that the majority of people involved in the real estate trade were simply anxious to make a profit before the speculative bubble burst.

The opportunity to follow through with a study of land

investment in western Canada from an international point-of-view presented itself when the business papers of H.M.E. Evans were made available at the City of Edmonton Archives. This collection, while being a complete record of Evans' role as the Canadian agent of the Canadian Agency and the Western Canada Land Company, was only part of what had to be a larger collection of documents dealing with the Canadian Agency and its various companies. The search for the remaining documentation on the Canadian Agency has taken me to archives elsewhere in Canada as well as to Britain and the United States. The most important group of papers which serve to complete the history of the Canadian Agency has been the Grey Papers at Durham University.

Bringing together the Evans and Grey papers, plus various ancillary documents, has opened up a range of subjects worthy of analysis which extend well beyond the convoluted history of the Canadian Agency and its relationship with the Western Canada Land Company. This thesis maintains the original focus on the Canadian Agency and its role in land investment, while at the same time exploring other issues, the most ambitious of which is the role of London as a purveyor of capital to the world economy during the nineteenth and early twentieth centuries.

Chapter One

British Foreign Investment In the Nineteenth Century

A significant feature of the economic history of the nineteenth century was the role of Britain as an exporter of capital to the world economy. The literature analyzing this process deals with a number of general topics including direct investment, and portfolio/indirect investment, the volume of the funds exported, timing of investment, the distribution of these funds by region and industry, types and motivation of the British investors who participated in the process, types of economic institutions which carried out the export of these funds and the impact on the world economy of the relatively free flow of capital during this period.¹ This chapter will discuss the literature relating to these points and then outline the thesis topic in terms of these themes.

Direct and Portfolio/Indirect Investment

Prior to the First World War, foreign investment was described as either portfolio/indirect, or direct, with the former term being applied to investment through the medium of securities traded on a stock exchange. Investors who acquired stock through this method were considered to be too numerous to ever take any part in the operation of the company. Thus control

¹ The most comprehensive review of the vast literature on this topic to 1975 is by P.L. Cottrell, British Investment in the Nineteenth Century. London: The Macmillan Press, Limited, 1975.

would be dispersed.² Direct investment involves the transfer of funds to another country for the purpose of acquiring assets without any recourse to a stock exchange, where the funds to be transferred are acquired through a public appeal. This could involve an individual purchase of property or the extension of a business through overseas branches or subsidiaries. This type of investment gives the investor effective control over the assets acquired or created in the other country. Thus the medium through which shares were distributed and the control by the investor of the company issuing the shares were the two criteria used to distinguish between these two terms. The old distinction between portfolio and direct investment has been retained by some contemporary students of foreign investment in the nineteenth century including Matthew Simon and D.C.M. Platt.

The current definition of direct investment does not include the medium through which the shares are distributed and concentrates entirely on the element of control. As a result, security issues floated on the London, or any other stock exchange, and controlled by the foreign investor, which would

2 A.R. Conan Capital Imports into Sterling Countries. (London: Macmillan, 1960) p.105. For further discussion of these various investment terms see D.C.M. Platt Britain's investment overseas on the eve of the First World War: the use and abuse of numbers. (London: Macmillan, 1986) pp. 4-5; Peter Svedberg. "The Portfolio-Direct Composition of Private Foreign Investment in 1914 Revisited." Economic Journal 88 (December 1978), p. 764-765; Michael Edelstein. Overseas Investment in the Age of High Imperialism: The United Kingdom, 1850 - 1914. (New York: Columbia University Press, 1982) pp. 33-34; D.L. Paterson. British Direct Investment in Canada, 1890-1914; Estimates and Determinants (Toronto: University of Toronto Press, 1976) p. 5.

have been considered as portfolio investment under the old definition, are now considered as direct investments, no matter how dispersed the ownership may have become as a result of a public issue of stock. Direct investment as defined by the United States Department of Commerce are those investments in foreign corporations where at least 25 per cent of the voting stock is controlled by citizens of the donor country. Michael Edelstein, who makes use of the modern definition of the term, also suggests differences between these terms with respect to the location of the initiator of the capital transfer. He notes that portfolio investments tend to be initiated by the host country, with the result that the asset owner is a relatively passive rentier investor, while direct investments are typically initiated by the capital exporter. Thus the asset owner is an active entrepreneur-capitalist.³ This thesis utilizes the current definition of direct investment since all of the companies included in this study were controlled in Britain and raised their capital using both private subscription and a public appeal by selling their shares on a stock exchange.

Volume

The analysis of the volume of British capital exports during this period was begun by Sir George Paish in a series of articles

³ Michael Edelstein. Overseas Investment in the Age of High Imperialism: The United Kingdom, 1850-1914. p. 34.

written on the topic in 1909, 1911 and 1914.⁴ Based on his review of flotations on the London Stock Exchange, he estimated that the stock of investment held abroad on the eve of the First World War was £4 billion. This sum was made up of £3.7 billion in portfolio investment and £0.3 billion in direct investment. Paish's statistics, slightly modified by Herbert Feis in 1930, remain the accepted figures. As recently as 1988 A.J. Christopher in his book The British Empire at its Zenith made use of statistics derived from Paish to indicate British overseas investment in 1914.

The most recent review of British investment using this direct method has been carried out by Matthew Simon and D.C.M. Platt.⁵ Simon found that the accumulated total of new issues, 1865-1914, came to £4082 million which accords well with the figure calculated by Paish and Feis. Platt proposed a revised stock figure of £2.63 billion for portfolio investment and £500

4 Sir George Paish. "Great Britain's Capital Investments in Other Lands", Journal of the Royal Statistical Society, LXXII (1909) pp. 465-495; "Great Britain's Capital Investments in Individual Colonies and Foreign Countries", Journal of the Royal Statistical Society, LXXXIV (1911) pp. 167-200; "Export of Capital and the Cost of Living" Statist (Supplement), Feb, 1914, pp. i-viii.

5 Matthew Simon and Harvey H. Segal, 'British Foreign Capital Issues, 1865-1894' The Journal of Economic History (Dec. 1961), 567-81; Matthew Simon, 'The Enterprise and Industrial Composition of New British Portfolio Foreign Investment, 1865-1914' The Journal of Development Studies III (Apr. 1967), 280-99; Matthew Simon, 'The Pattern of New British Portfolio Foreign Investment, 1865-1914' in John H. Adler Capital Movements and Economic Development. New York: St. Martin's Press, 1967; D.C.M. Platt. Britain's investment overseas on the eve of the First World War: the use and abuse of numbers. London: Macmillan, 1986.

million for the stock of direct investment.⁶ His work has not, however, shaken the confidence in Paish's data as the best estimate available. Platt's work on this topic has been criticized for its lack of appreciation for Paish's work and Platt's own lack of research which would validate his data.⁷

A second method to calculate the total net annual outflow of British savings into foreign assets has also been employed using data from the international balance of payments. C.K. Hobson, who initiated this approach in 1914, produced a rough estimate for the period 1870-1912 based on data on exports, imports of goods and services and net property income from abroad based on Inland Revenue schedules. His estimates have been subsequently revised by Cairncross, Imlah and Feinstein. The results obtained by this method compare favourably with the results obtained by Simon using the direct method. Simon's estimate of total new issues, 1865-1913, is £3878.6 m., while Imlah/Feinstein's estimate of the overall balance on current account for the same period was £3487.8

Timing

The chronology of events associated with the export of

6 D.C.M. Platt. Britain's investment overseas on the eve of the First World War: the use and abuse of numbers. p. 5.

7 W.P. Kennedy, review, Economic History Review Second Series, Volume XL, No. 2, (May 1987) pp. 307-309; Charles Feinstein. 'Britain's overseas investments in 1913'. Economic History Review, Second Series, Volume XLIII, No. 2 (May 1990): 288-295.

8 Michael Edelstein. Overseas Investment in the Age of High Imperialism: The United Kingdom, 1850-1914. p. 18.

British capital during the nineteenth century begins in 1815 when France and Britain's wartime allies were the first recipients of British capital. During the 1820s this flow of investment also included the newly established Latin American republics.⁹ This investment was made up of £17m worth of loans to various governments and £35m raised by forty-six joint-stock companies the majority of which were mining companies. By 1827 however all the republics were in default and by 1850 only one of the mining companies was in existence. With the collapse of the South American boom, the British investors looked elsewhere for investment opportunities thus establishing:

the pattern of British investment activity: a speculative spurt of lending concentrated on a particular area, followed by default and the failure of reality to match expectations. So lending turned to other areas with different lures, and the original receiving region was only able to begin borrowing again on the London market once defaults had been settled, usually by composition, and earlier disasters forgotten.¹⁰

Following the first South American boom, the building of railways in Europe and United States served to attract the majority of British investment. The financing of the American railways was accomplished by bonds issued by the individual

9 Irving Stone, 'British Long-Term Investment in Latin America, 1865-1913', Business History Review Vol. XLII, No. 3 Autumn 1968 pp. 311-339; J.F. Ripsey British Investment in Latin America 1822-1949; Charles A. Jones "Great Capitalists and the Direction of British Overseas Investment in the Late Nineteenth Century: The Case of Argentina." Business History Volume XXII Number 1 (January 1980) and "Who Invested in Argentina and Uruguay." Business Archives New Series Volume 4 No. 4; P.L. Cottrell, British Investment in the Nineteenth Century. p. 19.

10 Cottrell, British Overseas Investment, p. 20.

States which were sold in London. The market for these securities continued to expand until the financial crisis of 1837. Unlike Latin America, the United States experienced only a temporary interruption in the flow of British capital. After 1847 the investment increased following the end of the Mexican war, the discovery of gold in California and the search for new markets by English ironmasters following the collapse of the English railway mania.¹¹ Investment during this period included land and mining companies in the West.¹²

From 1855 to 1914 investment took place in three waves which peaked in 1872, 1889/90 and 1913. During the first wave of investment, the United States continued to be the principal recipient. During the Civil War, however, some capital was repatriated or redirected as a result of the search for alternative supplies of cotton in the Middle East and India. During the early 1860s investment also went to Australia in the form of pastoral finance companies, South America in the form of loans to governments and railways companies and to the new nations of southern and eastern Europe. The London crisis of 1866 and the financial scandal of the Atlantic and Great Western Railway further delayed the full recovery of the market until

¹¹ Cottrell, British Overseas Investment, p. 21.

¹² Larry A. McFarlane "British investment and the land: Nebraska, 1877-1946", Business History Review, vol. 57, no. 2, 1983 pp. 258-272 and "Nativism or not? Perceptions of British Investment in Kansas, 1882-1901" Great Plains Quarterly 7 (Fall 1987) pp. 232-243; Anne Ostry, Foreign Investment in the American and Canadian West, 1870-1914: an annotated bibliography (Metuchen, N.J: The Scarecrow Press, Inc., 1986)

1869. The renewal of financial activity in 1869 continued through to the 1870s during which time lending was concentrated in Latin America and the United States. American securities actively traded included Federal bonds and railways issues mainly of established eastern lines. The first wave of investment was brought to an end by a series of government - debt defaults which began with Spain in 1873 and spread to Turkey, Peru and Egypt between 1875-6 and by the financial difficulties of the American eastern railway companies.

During the second wave of investment which began in the early 1880s the main recipients of funds were Argentina, Australia and the United States. The capital borrowed by Australia, which amounted to 50 per cent of total overseas investment in the late 1870s and 25 per cent in 1880s, was used to expand its pastoral economy and railway network. Investment in the United States moved west to include range cattle companies and railways. The 1880s was also a period of rapid expansion for the economy of Argentina which was also based on the growth of white settlement, agriculture and railways. This second wave came to an end with the Baring crisis in 1890. The third wave, which began after the Boer War, was distinctive because Canada replaced Australia as the major recipient of funds, along with the United States and Argentina, and because of its amplitude compared with the two earlier waves. The last period is the most distinctive because it is cosmopolitan, diversified and accounts for almost 24 per cent of the total volume of British capital exports for

the five previous decades.¹³

Institutions

The growth of institutions which could organize capital for export involved the creation of the London Stock Exchange. First organized in 1773, it had evolved into its present form by 1850.¹⁴ By 1914 stock exchanges had also been established in 22 other British cities. With the emergence of a network of provincial exchanges, London increasingly specialized in foreign issues while the provinces took smaller foreign issues and home industry.¹⁵ Consistent with this pattern, the London Stock Exchange listed the largest number of Canadian stocks including the shares of land companies. Liverpool was one of the few provincial stock exchanges to play a role in portfolio investment in western Canada during the period under review. Its participation in the trade and commerce with America may explain this development.¹⁶

13 Matthew Simon, "The Pattern of New British Portfolio Foreign Investment, 1865-1914 in John H. Adler Capital Movements and Economic Development. New York: St. Martin's Press, 1967. p. 41.

14 J.H. Clapham, An Economic History of Modern Britain, Vol.II, (Cambridge: Cambridge University Press, 1932) p. 323; A.R. Hall, The London capital market and Australia 1870-1914 (Canberra: The Australian University, 1963) p. 66.

15 James B. Jefferys, Business Organization in Great Britain (New York: Arno Press, 1977), pp. 368-374; Hall, The London capital market and Australia, p. 37.

16 For a discussion of the importance of Liverpool in the trade with America during the nineteenth century see Dorothy R. Adler, British Investment in American Railways, 1834-1898. pp. 4-5; D.C.M. Platt also makes reference to the importance of the Liverpool Stock Exchange in Britain's investment overseas on the

The stock exchange was only the first innovation in the British capital market which would affect the way Britain would invest in western Canadian land during the period from 1905 to 1914. A second innovation in business organization which would also play a role was the general introduction of the limited liability joint stock company in 1855, taking the place of the partnership as the usual mechanism the entrepreneur employed to raise capital and direct business affairs.¹⁷ Between 1856 and 1914 the limited liability joint stock system went through a number of changes which included the type of stock issued by companies and methods used to link the investors with entrepreneurs. These changes represented a response to the new type of investor and changing attitudes towards investment by the wealthy investor. The new participants in the market included the middle class and rentiers who were interested chiefly in security and income. These new investors were urged by a variety of circulars and investment journals to make no permanent investment and never to invest unless the shares were fully paid up and quoted or easily saleable. He was not expected to be interested in the company in which he invested but rather to spread his investments over several companies in different countries.

The changes to the common stock in a typical company

eve of the First World War: the use and abuse of numbers. p. 51.

¹⁷ The most detailed account of the development of this form of business organization is to found in Business Organization in Great Britain by James B. Jefferys upon which this section of the thesis is based.

involved the use of shares of much smaller value than had been the case before. New types of financial instruments were also developed to meet the increased demand for capital and the greater variety of investors including the preference share and debenture issues.

Initially, the methods used to link the investors with entrepreneurs representing these new forms of business organization remained in the hands of financial agents such as Chadwicks, Adamson and Collier who raised capital through their network of personal contacts. The method of relying on a few contacts, however, became increasingly inadequate by the 1880s resulting in the emergence of the professional promoter who could undertake a wider appeal.

A second factor contributing to the rise of the professional promoter was the more aggressive approach by the financial agents to their role in the system, with the result that they now made more direct offers to firms to turn them into companies and were no longer content to act merely as the servants of the vendor. The initiative for the formation of the company was thus passing from the vendor or entrepreneur to the promoter. A third factor was the need for a professional intermediary between the growing number of investors and the business community, increasingly accepting limited liability as the appropriate form of business organization.

Evidence of the increasing importance of the professional promoter can be seen in their organization into syndicates or

trust and investment companies and in changes in certain company formation procedures such as the memorandum of association. This document was now being signed by "dummies" or promoters who took the legal number of shares necessary to form the company rather than the real owners or founders of the company. After the company was organized by the promoter, the directors might hold a large number of shares but they were no longer the original founders.

The next step in forming a company, following the gathering together of a group of entrepreneurs, was to decide on the approach to be taken to secure the capital. The options available were to continue to make use of private networks or to raise all or part of the capital through an appeal to the public. This latter method, the most relevant to this study of British investment in western Canadian land, was the most hazardous. This method, which involved issuing a prospectus that was widely circulated and advertised, was made use of by British industrial companies as well as foreign speculative mining companies in the period from 1856 to 1885. There was nothing inherently unsound in the method itself, but owing to the organized state of the capital market this approach left itself open to both abuses and to failures.

The prospectus evolved from being a rather sober document in the 1860s and 1870s to become convincing examples of promotional writing in the 1880s and 1890s in which graphic display techniques like big and small type, red ink, and headings of

"private and confidential" were fully developed. Between 1885 and about 1900 the art of writing prospectuses came into its own. The drawing up of a prospectus had become a full time occupation in London. "The City is overrun with professional prospectus jugglers each of whom has his special methods, and plays as it were his own game."¹⁸

The next step to drawing up the prospectus was its issue and advertising, from the beginning a more organised and more costly venture. In 1865 for example it cost £1,800 - £2,000 to advertise in The Times, Daily News, Telegraph and Post for the usual time of ten days or a fortnight. The biggest increase in advertising, however, was not in the direct form of greater space in the newspapers, but in the increase of journals dealing with investment that were used to promote particular issues.

Closely linked with advertising a company prospectus was the question of "puffs" and "write-ups" in the financial journals. Through to the eighties, this method of boosting a company was still in its infancy. There were two general types of publications; the first, books and pamphlets concerned with joint stock companies as a whole, which advised investors to invest in certain safe securities. Another development beginning in the later part of the nineteenth century was that the advice to the investors took more the form of books and pamphlets dedicated to the science of investment. These books or circulars were issued

¹⁸ Statist, vol. I, 1887, p. 496. cited in Jefferys, Business Organization in Great Britain, p. 351.

by brokers, for according to them, there was a growing need for knowledge on the part of the investor. The advice provided emphasized constant investment and re-investment, and geographical distribution of investment. The second were circulars and books and journals issued by firms of stockbrokers, specifically "pushing" shares they wished to sell.

The circulation of the prospectus and the description of the company in the financial journals was usually not a sufficient attraction to secure the investors. Personal contact with the investor continued to be necessary. It was supplied by the stockbrokers, bankers and solicitors. The stockbroker had easily out-distanced the other two in importance, particularly for foreign issues and more speculative ventures.

The methods of appealing to the public to raise capital using a prospectus changed after 1900. The Companies Act of 1900 attempted in some measure to check flagrant abuses in the "word painting" of the prospectus. The particular reasons for this decrease were the stringent conditions in the 1900 Act as regards prospectuses and the general increase in the number of private companies. The impact is evident in the fact that between 1901 and 1907 an average of 85 per cent of the total number of companies registered each year indicated that the companies did not issue any invitation to the public to subscribe for shares.

Another factor which shifted the approach back to the private negotiation approach to raising capital was the growth of the conversion of firms into private companies not wishing, and

later, not being allowed, to appeal publicly. The increase in the certainty of underwriting and the preoccupation of the stock exchange with foreign business were the factors leading new industrial companies to depend less on the general investment market and more on private methods. By 1914 the process of raising capital had returned to that of the 1860s with the vast majority of joint stock companies being created already in possession of their capital or having to obtain it by private negotiations.

Jefferys' study of the limited liability joint stock company, which was undertaken in the 1930s and reprinted in 1977, has been supplemented by the more recent work of Mira Wilkins on the particular role that they played in foreign investment.¹⁹ In a recent article she argued that the creation of thousands of limited liability companies in the period from 1870 to 1914 served as the principal conduit through which British investment took place. These free-standing companies did not grow out of the domestic operations of existing enterprises that had headquarters in Britain. They were legally separate units which were neither controlled by an operating enterprise in Britain nor functioned as an operating extension of a foreign multinational enterprise. The purpose of these companies was to bring together potentially profitable operations with British investors seeking financial

¹⁹ Mira Wilkins. "The free-standing company, 1870-1914: an important type of British foreign direct investment." Economic History Review, Second Series, Volume XLI, No. 2 May 1988, pp. 259-282.

opportunities superior to those at home. Wilkins also points out that while these companies were distinct from one another, they were organized into clusters based on overlapping circles of individuals and enterprises. She identified ten clusters based on promoters, solicitors, accountants, Members of Parliament or other 'ornamental directors', geographical locations, mining engineers, non-mining industrial networks, trading companies and merchant banks. The links between the various British companies which were active abroad have also been pursued by Stanley Chapman through his concept of the investment group. He defines an investment group as 'an entrepreneurial or family concern whose name and reputation was used to float a variety of subsidiary trading, manufacturing, mining or financial enterprises, invariably overseas and often widely dispersed.'²⁰ Chapman's emphasis on family networks as a basis for British economic activity abroad also relates to the work of R.C. Michie and Y. Cassis.

Participants

Lance Davis and Robert Huttenback provide a profile of the shareholders of imperial enterprises.²¹ While they do not specifically refer to joint stock limited liability companies, it

²⁰ S.D. Chapman, "British-based Investment Groups before 1914" in The Economic History Review Second series, Volume XXXVIII, No. 2, May 1985.

²¹ Lance E. Davis and Robert A Huttenback, Mammon and the pursuit of Empire: The political economy of British imperialism, 1860-1912 (Cambridge: Cambridge University Press, 1986), pp. 195-220.

can be assumed that the group of imperial enterprises which they studied did include examples of this type of company. They concluded that business people, including merchants not resident in London, did invest abroad but were more oriented towards the domestic economy. For the elites, who included members of the aristocracy ranging from the 'peers' to the 'gents' and the London business community, investment in foreign enterprises was their prime focus. Davis and Huttenback also detected a difference in the types of activities which interested the elites versus the business community. The elites tended to invest in railways, commercial banks, finance, land and development companies, and public utilities while businessmen preferred shipping, commerce and industry and tea and coffee plantations.²²

Investment Distribution

Capital exports have been analyzed in terms of their geographical distribution over time by continent, political status and climatic-ethnic region, allocation among economic sectors and allocation to public, private or mixed undertakings. Sir George Paish, along with estimating the total volume of capital exports, also pioneered the effort to determine the distribution of these funds. The most recent work on this topic has been carried out by Simon as well as the team of Davis and Huttenback. The most important recipient of British funds, according to Paish, was the United States which had received

²² Ibid., p. 213.

£754.6 million in portfolio investment as of 31 December 1913. It was followed by Canada, including Newfoundland, which received £514.9 million. These two countries were followed in importance by India and Ceylon, South Africa, Australia, Argentina, Brazil, Mexico, New Zealand and Russia.

In terms of the industrial distribution of British investment, Simon concluded that the British investor had a preference for government securities and social overhead capital, particularly railways. Data provided by Simon indicates that this category, which includes transportation, public utilities and other public works, received almost 70 per cent of new British foreign portfolio investment. Transportation, the largest industrial segment, obtained at least 46 per cent, and railways, its major component, 41 per cent of the total. By contrast, less than 12 per cent was invested in the extractive industries and 4 per cent was invested in manufacturing. Simon's overall conclusion was that the emphasis in British investment was:

placed on the development of those facilities which increased the capacity of primary producing nations to export marketable surpluses to Europe. . . [and] that British funds did not directly foster the development of extensive overseas industrialization as less than 4 per cent of the total was invested in manufacturing.²³

Davis and Huttenback in their analysis of the industrial distribution of British foreign investment come to the same conclusion about the pre-eminence of railway investment. The

²³ Simon, "The pattern of New British Portfolio Foreign Investment, 1865-1914" p. 42.

other sectors, ranked in descending order of importance, were finance, manufacturing, agriculture and extractive industries, public utilities and trade and services.

Simon's data on the type of issuers indicated that private firms received 55 per cent of the total. National, provincial and local governments, both colonial and foreign, received 35 per cent and mixed-enterprises received 10 per cent. The data from Davis and Huttenback on this issue is slightly different since they only used government and private as the categories for the types of issuers. Their results indicate that in the foreign sector, government securities absorbed about one-third of the funds invested while in the Empire the proportion was about half.

The final point to consider is the geographical distribution of British investment. The general trends noted by Simon in terms of distribution by continent was that North America received 34 per cent and South America received 17 per cent thus giving the western hemisphere 51 per cent of the total. Asia, Europe, Australasia and Africa received 14, 13, 11, and 11 per cent respectively. Davis and Huttenback had similar results ranking North and South America first and second followed by Asia, Australasia, Europe and Africa.

The data on geographical distribution with respect to the political status presented by Simon shows that approximately 60 per cent of new British overseas lending went to independent countries while less than 40 per cent went to the Empire. The data by Davis and Huttenback places the Empire share of overseas

investment at about 25 per cent. This material is particularly important in testing the proposition that investment followed the flag. With respect to geographical distribution by climatic regions, 68 per cent went to regions of recent settlement while less than 27 per cent went to the tropics and 5 per cent went to non-tropical Asia.

The literature on the geographical distribution of British investment also includes an article by A. J. Christopher in which he discusses the actual area of land acquired by British registered companies and its location in 1885 and 1913. Based on his analysis of the annual reports filed by these companies, he shows how the area acquired by British companies dramatically increased and how the locations where this land was acquired shifted from North America to Africa and Latin America.²⁴ While his data are inconsistent with some of the other authors in this field, he does make some important points about the expanding land frontier in the late nineteenth century and notes Britain's response to the investment opportunities it created.

He notes that companies were created for speculative or vague development purposes with profits "to be gained not only through sales, but through a rising land market associated with the settlement of adjacent lands".²⁵ He illustrates how various companies were active in several fields of endeavour

²⁴ Christopher, "Patterns of British Overseas Investment in Land, 1885-1923," p. 455.

²⁵ Ibid.

citing the experience of the Natal Land and Colonization Company. Formed in 1860 to pool the resources of a number of British and South African speculators, the company began by experimenting with the cultivation of coffee and sugar, managing estates for its own account, as well as laying out settlement blocks for immigrants. With the failure of these plans, the company turned to earning profits by renting the land to the indigenous inhabitants. The experience of the Natal Land and Colonization Company showed that despite a land company's grand plans, the land it owned was its only real asset and that profits would be obtained:

principally through the disposal of that asset. Judgement however had to be exercised as to the most profitable time to sell against the expectation that prices would continue to rise. Often companies chose to do nothing but wait until forced to act. Frequently this activity was related to the spectacular cyclical booms and depressions in colonial economies.²⁶

Profitability

Another issue which is of greater importance to Davis and Huttenback is profitability. Profitability, which was not dealt with by Simon, is an important aspect of the debate on foreign investment since it relates to the financial roots of imperialism as the motivation for this activity. Imlah concluded that "income from foreign investments not only filled in whatever gaps were created by deficits on trade and services but it also supplied most of the surpluses which were available for new investment

²⁶ Ibid., p. 457.

abroad."27 The actual rate of return which had been generally accepted to be about 5 per cent was revised by Imlah who showed that the highest rate of return was in land and mortgage companies with 13.5 per cent (plus 10.0 per cent capital gain). These higher returns, however, were associated with a higher level of risk since "many of the land and mortgage companies fizzled out later with sad results for the over-eager investors."28 He suggested that the average rate of return in 1886 was 4.9 per cent and that from 1897 to 1913 it ranged from 4.31 per cent to 5.30 per cent.29

Davis and Huttenback, referring to investment in the Empire, have a very different perspective on profitability. They examined the profitability of investment in the Empire in relationship to investment in other regions and relative to other expenses associated with the Empire, such as defence. Their objective was to examine the political economy of the Empire in relationship to various concepts of imperialism. They concluded that profits from investment in the Empire were very high prior to 1880 and that after 1880 "the Empire was probably a snare and a delusion - a flame not worth the candle."30

27 Albert H. Imlah, Economic Elements in the Pax Britannica; Studies in British Foreign Trade in the Nineteenth Century (Cambridge, Massachusetts, Harvard University Press, 1958), p. 60.

28 Ibid., p. 61.

29 Ibid., p. 63.

30 Davis and Huttenback, Mammon and the Pursuit of Empire, p. 110.

Relationship to Other Factors of Production

Capital was only one of the factors of production which was being exported to the world economy from Britain during the nineteenth century. The rise of London as an international capital market was paralleled by the growth of Britain as the world's first industrial nation. The necessary supply of labour for this new industrial economy was provided by the natural increase in the population, rural to urban migration and immigration from Scotland and Ireland. The growth in the population was a product of improvements in the standard of living which included the consumption of more and better food.³¹ The population, however, did not continue to increase at the same rate as a result of the trend towards small families caused by the shift from a rural to an urban society.³²

While the labour supply continued to increase throughout the nineteenth century, the demand for labour fluctuated in accordance with the business cycle. The analysis of the demand for labour within the context of the Atlantic economy has been carried out by Brinley Thomas. He argued that from 1847, the year of the first great wave of transatlantic migration, through to 1914, the British and American business cycles were complementary. The process of interaction as he viewed it,

³¹ D.E. Baines, "The Labour Supply and the Labour Market 1860-1914," in The Economic History of Britain since 1700, Vol. 2 ed. Roderick Floud and Donald McCloskey (Cambridge: Cambridge University Press, 1981), pp. 145-146.

³² Ibid. p.148.

operated as follows:

A major influx of population, accompanied by capital imports, induces a boom in construction in the United States; meanwhile the upturn of emigration and foreign investment in Great Britain is accompanied after a short lag by a fall in the volume of building. When a relatively large number of people are leaving the country, internal mobility is low, and there is a tendency for the number of empty houses to increase and for rents to decline . . . The time must come in the United States when the building boom hits the ceiling and a downturn is unavoidable. This is accompanied by a decrease in immigration and capital imports. . . .33

H.W. Richardson in his work on the topic concluded that:

labour moved abroad not as a response to higher wages or because slumps in Britain dried up new jobs at home but rather because investment booms in the regions of recent settlement created employment opportunities overseas. Booms in these regions could not be accommodated by expansion in the indigenous labour force and in domestic investment because domestic factors supply functions were highly inelastic.³⁴

In terms of land supply, Britain had already reached the physical limits of its available land for the purpose of agricultural use before the nineteenth century. The increased demand for food caused by the growth in the population, however, could be dealt with by the improved productivity of British agriculture and by the importation of cheap food from the new lands of recent settlement.

In addition to the importance of the supply of land was the

33 Brinley Thomas, Migration And Economic Growth A Study of Great Britain And the Atlantic Economy (Cambridge: Cambridge University Press, 1945), pp. 177-178.

34 H.W. Richardson "British Emigration and Overseas Investment, 1870-1914" The Economic History Review Second Series, Volume XXV, No.1, 1972.

trend in real estate values within the Atlantic economy and thus the profitability of investment in this sector of the economy. The land market operated in a cyclical manner with land values rising in the 1890s and then falling particularly after 1905.³⁵ The Edwardian property slump in Britain coincided with a period of rising land values in Canada. The possibility that British investment in Canadian land between 1905 and 1914 represented one response by investors to the Edwardian slump will be explored in this thesis.

The World Economy and British Capital Exports

The organization of the London financial market and Britain's growth as an industrial nation was complemented after 1850 with the rise of a "new economic order, based on increasing mechanization, greater division of labour and specialization of function and more complex methods of organization . . ."³⁶ These changes involved European emigration, the introduction of commercial agriculture, the construction of an extensive system of social overhead capital which included steam powered railways and the opening of new land frontiers in Canada, United States, Australia, South Africa and Argentina. These new land frontiers took their turn in providing new opportunities for "windfall profits, while new crops and products required by new technical

35 Avner Offer, Property And Politics 1870-1914 Landownership, Law, Ideology And Urban Development in England (Cambridge: Cambridge University Press, 1981), p. 53.

36 William Ashworth, A Short History of the International Economy Since 1850, 3rd ed. (London: Longman Group Limited, 1975)). p. 18.

innovations suggested massive profits for those with means to produce the necessary items."³⁷

The spread of people and technology was complemented by the spread of new forms of business organization which would also play their role in welding the world into an economic unit. These new forms of business organization included the limited liability company discussed above as well as investment banking, free trade and an international gold standard which after 1870 provided for reasonably stable currencies convertible into one another. All of these changes increased the mobility of capital and labour with the result that an ever-increasing number of British investors were able to participate in virtually every field of new investment in the world. The British investor was also committed to investing in foreign countries to a degree unmatched by citizens of any other country.

British Investment in Western Canadian Land

Having provided an overview of the topic of British foreign investment in the nineteenth century, it is now possible to outline the terms of reference for this thesis. It will deal with an aspect of the third wave of investment focusing specifically on British investment in land in the western Canadian provinces of Manitoba, Saskatchewan and Alberta during the 1905 to 1915 boom. Investment in land involved direct purchases of property by individuals, syndicates and companies operating through land

³⁷ A J Christopher, "Patterns of British Overseas Investment in Land, 1885-1923," Transactions, Institute of British Geographers, New Series, Volume 10 Number 4 (1985): p. 453.

brokers. A second means by which investment was carried out was through the funding, by British investors, of companies incorporated in Canada. The most significant companies in this category were railways such as the Grand Trunk Pacific. This company, while being incorporated in Canada, was a wholly owned subsidiary of the Grand Trunk Railway Company of London. A third way, and the one which will be the focus of this study, was through the creation of companies incorporated in Britain for the purpose of purchasing Canadian land which was then to be resold or developed. This thesis, therefore, is a study of direct investment as that term is currently understood. The emphasis in this study is on the role of Britain, particularly London, as a supplier of capital to a variety of land frontiers and on the nature of the western Canadian land market which was the recipient of a portion of this investment.

At least eighty-four English and Scottish Canadian land companies (See Appendices A and B) were created during this period. These new companies took their place beside other British companies such as the Hudson's Bay Company, the Canada North-West Land Company, the Calgary and Edmonton Land Company and the Land Corporation of Canada, all of which had been active in the western Canadian land market since the 1880s. The companies included in this study were, therefore, additions to an existing network of British land interests in this region which had survived the North-American-wide depression of the mid-1890s.

This thesis will restrict itself to dealing with the most

important of these new British companies which invested in the rural and urban real estate market. The Canadian Agency group of companies which includes the Western Canada and the Southern Alberta Land Companies will be dealt with to the greatest extent. Other British land companies based in London and Liverpool will also be dealt with to a limited degree for purposes of comparison in terms of the amount of capital invested, the investment strategies applied and the results achieved. The detailed history of the various companies involved in this study would extend well beyond the First World War. This thesis will concentrate on the circumstances which led to their creation and the economic crisis of 1913 which put them in jeopardy. The response of these companies to this economic crisis and the eventual disposition of their assets will only be briefly discussed.

This thesis will emphasize the role of the British investor and the British incorporated company as active participants in the economic history of Canada. British Direct Investment in Canada, 1890-1914 by Donald Paterson, published in 1974, is the only major study on this topic. While this thesis builds on Paterson's work, it differs from his study in that it uses the case study approach focusing exclusively on investment in land. This study examines a smaller number of companies over a shorter period of time and makes use of company records in addition to those at the Public Records Office in BT 31, as well as private

papers of some of the members of the companies under review.³⁸

Canadian historians and economists have accepted the view, first stated by Paish and more recently by Dunning, that direct investment was less important than portfolio investment prior to 1914. According to Dunning:

in 1914, 90 per cent of all international capital movements took the form of portfolio investment, i.e. the acquisition of securities by individuals or institutions, issued by foreign institutions, without any associated control over, or participation in, their management.³⁹

The emphasis on portfolio/indirect investment, especially in Canada, has led to a disregard of the role of the London business community in the investment process. This business community could, for example, control capital flows through their evaluation of the credit risk of individual countries. British investment in Canada also created a group of businessmen in London whose economic interests were linked with Canadian development. This process began with the establishment of the Hudson's Bay Company in 1670 and continued with the creation of other companies such as the Canada Company, the British-American Land Company, the Bank of British North America, and reached its

³⁸ This record series at the Public Records Office contains the articles and memorandum of association plus annual reports to the Government which summarizes the company's capitalization and lists the shareholders.

³⁹ J.H. Dunning. Studies in International Investment (London: George Allen & Unwin Ltd, 1970), p. 2; For a discussion of the British literature which challenges the view that the British investor was a passive coupon-clipper see M.J. Dauntton "Gentlemanly Capitalism" and British Industry 1820-1914" Past & Present Number 122 (February 1989): 136-137.

zenith with the railway and settlement boom prior to World War One.

British investors are commonly viewed as having loaned capital to Canada while leaving the decisions as to how it would be spent to a local business elite with few associations with London who were behind Confederation in 1867 and its extension westward after 1870. This view of British investment is evident, for example, in Silent Surrender, the multinational corporation in Canada by Kari Levitt. He characterizes the British investors as "London coupon-clippers" who reaped the benefits of their portfolio investment in the Canadian railway system, made profitable and secure for them by the Canadian Government's policy of bond guarantees and high tariffs. In his view British investment:

falls into the classic pattern of pre-1913 British foreign investment. The investor was assured a safe return in solid pounds sterling while the risk - and the control - remained with the borrowing entrepreneur and the Government of the hinterland.⁴⁰

In de-emphasizing the role of an eastern Canadian based business elite in acquiring and distributing imported capital to other parts of Canada, this thesis will emphasize the way in which London and the various regions of Canada established their own direct economic relationships as the investment frontier moved from east to west.

The Canadian Agency has been chosen because of its

⁴⁰ Kari Levitt, Silent Surrender, the multinational corporation in Canada, (Toronto: MacMillan of Canada, 1970), p. 52.

importance as one of the largest of the new British companies to participate in the boom in British investment in Canada between 1905 and 1914. The global scale of the Canadian Agency's investment activities which included South Africa, United States, Latin America and what is now the Soviet Republic of Azerbaydzhan, in addition to Canada, was also a consideration since they serve to demonstrate the link between Canadian development and the world economy.

A final reason for choosing the Canadian Agency was the availability of documents on the company and people who made up this organization. The documents available for this study are, like the activities of the Canadian Agency itself, widely dispersed. Canadian sources include the business papers of H.M.E. Evans at the City of Edmonton Archives in Edmonton, Alberta. He was the Canadian representative of the Canadian Agency and the Western Canada Land Company. The Glenbow Archives in Calgary, Alberta, possess the papers of the Southern Alberta Land Company which were supplemented by documents on this Company at the Provincial Archives of Alberta. American sources concerning the Canadian Agency and its related companies include Bush House records on microfilm at the Bancroft Library, University of California, Berkeley. British sources include the papers of the Fourth Earl Grey in the possession of Durham University as well as the BT 31 series at the Public Record Office at Kew and the Scottish Record Office. The Grey Papers are particularly important since they contain correspondence between Arthur Grenfell and his

father-in-law, the 4th Earl Grey, in which Arthur Grenfell candidly discusses his business ventures in Canada and elsewhere in the world. The volumes of annual reports and prospectuses as well as the Stock Exchange Yearbook for the period 1906 to 1914 at the Guildhall Library in London have also been used extensively.

In addition to this thesis being the history of a number of firms in which specific investment strategies and decisions are analyzed along with the results achieved, it will also deal with the people who made them. In that regard, it will be a partial business biography of Arthur Morton Grenfell and his various business associates, the most important being Sir Ronald Bertram Lane, the Fourth Earl Grey and Cecil Ward. Arthur Morton Grenfell was a member of a prominent Buckinghamshire family with a strong tradition as soldiers and City bankers. Based on these family associations, Arthur was able to become a part of the London business community immediately upon leaving Eton. The collapse of the Canadian boom and the Canadian Agency combined with the First World War brought his career as a City financier to a catastrophic end. After the War he was involved in various investment activities on the continent. He died in 1958 having been, in the opinion of the The Times, "one of the best-loved men of a generation which he had long outlived."⁴¹

The Canadian Agency, therefore, included other aristocrats and gentlemen as part of a social network involving members of

⁴¹ The Times, 25 November 1958.

the Grenfell, Grey and St. Aubyn families and family friends who also played a role in its fortunes. This thesis will be concerned with the social and economic context of which he was a part and the overall circumstances which affected the development and ultimate failure of this company. In looking at the social context, use will be made of current ideas on the social and economic structure of Britain in the nineteenth century recently referred to collectively as "gentlemanly capitalism."⁴² It will also make use of the literature on the City as a social as well as an economic institution. Of particular importance is the article by Ranald Michie on the social web of investment in the nineteenth century. In this article he specifically discusses the role of kinship in the investment process using the Fourth Earl Grey and Arthur Grenfell as examples.⁴³

A third topic to be explored by these case studies is the

⁴² For an outline of the concept and a discussion of the literature of Gentlemanly Capitalism as it relates to the issue of Britain's industrial decline since the mid-nineteenth century see M.J. Daunton "Gentlemanly Capitalism and British Industry 1820-1914" Past & Present Number 122 (February 1989): 119-158; for a discussion of its application to the issue of British overseas expansion from 1688 to 1945 see P.J. Cain and A.G. Hopkins "The Political Economy of British Expansion Overseas, 1750-1914" Economic History Review Second Series, Volume XXXIII, No. 4, (November 1980): 463-490, "Gentlemanly Capitalism and British Expansion Overseas I. The Old Colonial System, 1688-1850." Economic History Review Second Series, XXXIX, No. 4 (November 1986): 501-525. and "Gentlemanly Capitalism and British Expansion Overseas II: new imperialism, 1850-1945." Economic History Review Second Series, XL, No. 1 (February 1987): 1-26.

⁴³ R.C. Michie. "The Social Web of Investment in the Nineteenth Century." International Review of the History of Banking No. 18. (1979): pp. 168-170.

extent to which the Canadian boom was similar to the bursts of investment in other parts of the world during the nineteenth century. The overall pattern of this investment as noted by Cottrell was a "speculative spurt of lending concentrated on a particular area, followed by default and the failure of reality to match expectations."⁴⁴

In analyzing British investment in western Canadian land as a speculative bubble, the work of Charles P. Kindleberger, author of the book, Manias, Panics, and Crashes: A History of Financial Crises, will be used. In this book Kindleberger applied the model of Hyman Minsky to financial crises from the South Sea bubble in London and the Mississippi bubble in Paris in 1719 and 1720 respectively through to the depression of 1929. The Minsky model of a financial crisis begins with what he calls a displacement which is an exogenous shock to the macroeconomic system. This displacement could be the outbreak or end of a war, a bumper harvest or crop failure, and the railways. When business firms and individuals with savings and credit seek to take advantage of this opportunity for profit in some new or existing sector of the economy a boom is under way.

With the initiation of a boom, it gathers momentum through an expansion of bank credit which enlarges the total money supply. Additional means of payment to fuel a speculative mania in the form of credit also come into play at this stage. As the

⁴⁴ P.L. Cottrell, British Overseas Investment in the Nineteenth Century p. 20.

speculative mania gathers strength, prices increase giving rise to new profit opportunities and attracting still further firms and investors. Speculation for price increases is added to investment producing what Kindleberger calls euphoria. Euphoria leads to overtrading which involves pure speculation for a price rise, overestimates of prospective returns and excessive gearing which means buying by instalments under circumstances in which one can sell the asset and transfer with it the obligation to make further payments. By this stage the boom has become self-sustaining. As speculation continues Kindleberger notes that it:

tends to detach itself from really valuable objects and turn to delusive ones. A larger and larger group of people seeks to become rich without a real understanding of the processes involved. Not surprisingly, swindlers and catchpenny schemes flourish.⁴⁵

The speculative bubble continues to expand until a point is reached where the new recruits to speculation are balanced by insiders who withdraw. At this point prices level off ushering in a period of financial distress. As distress continues the speculators realise that the market cannot go any higher.

The period of distress soon degenerates into a panic as more people realize that there are not sufficient funds to allow everyone to sell out at the top of the market. The catalyst for this crisis may be the failure of a bank or firm over extended or by the revelation of a swindle. The financial crisis cycle then

⁴⁵ Charles P. Kindleberger, Manias, Panics and Crashes; A History of Financial Crises (New York: Basic Books, Inc., 1978), p. 18.

arrives at its last stage which involves revulsion against commodities or securities which have been the object of speculation. The banks cease lending on the collateral of such assets. The cycle has returned full circle since it was the expansion of credit which initiated the process in the first place. Given the fact that the western Canadian real estate market would be increasingly driven by speculation in land values, certain types of investment opportunities and pitfalls were being created for the companies which chose to participate. These case studies will demonstrate the ability of British companies to function in this type of market.

Other aspects of the western Canadian land market to be examined in addition to speculation, include the extent to which the companies in these case studies understood the circumstances of the market into which they were investing and their investment strategies. These strategies either intensified land speculation or made them more vulnerable given the importance of speculation in the market. The use of credit in the purchase of land through the use of long term land purchase agreements and the place of the western Canadian land market in the North American land market will also be discussed.

The last of the topics to be explored in this thesis is the implications of the boom for the overall economic relationship between Britain and Canada, given the fact that the boom was immediately followed by the rapid decline of the importance of British capital in the Canadian economy. Traditionally, this

change has been attributed to the First World War, but as will be shown in this thesis, the British business community had serious doubts about the Canadian economy well before 1914. The role of real estate investment in creating this attitude will be assessed. This thesis will, therefore, investigate the paradox between record levels of British investment in Canada at a time of declining confidence on the part of some members of the British financial community in the future of Canada.

In order to achieve the objective of using these case studies to discuss the diverse themes outlined above, the thesis will be organized into three parts, the first of which will discuss the international, Canadian and social contexts in which British investment took place and the role of South Africa in bringing together the various people who would later participate in the Canadian Agency. The international context will deal with the evolution of Britain as an exporter of capital during the nineteenth century with special reference to its investments in land companies and to the Canadian boom of 1905-1914. Various push and pull factors drawn from the literature as well as from the original research carried out during the preparation of this thesis will be suggested. It will also look at the 'boosterism' which developed on both sides of the Atlantic in support of these investment activities and at the more critical view of what was happening as articulated primarily by The Economist.

Part One will also discuss the development of the limited liability joint stock company based on the work of James B.

Jefferys, Mira Wilkins and Stanley Chapman. The work by Stanley Chapman on investment groups is important, since this thesis deals primarily with two investment groups based in London and Liverpool respectively.

Part Two will outline the formation of the Canadian Agency and its associated companies. It will include chapters on the Canadian Agency, the Western Canada Land Company and the Southern Alberta Land Company. These latter two companies will be discussed in some detail given the fact that the focus of this thesis is on investment in land in Canada. Other Canadian and international activities of the Canadian Agency will also be discussed. It will suggest that the Canadian Agency combined Grey's interest in strengthening the economic ties between Canada and Britain and Grenfell's own preference for stock speculation. Given Grey's views on the significance of the empire as an agent for the spreading of British civilization, it represented Grey's search for God and Grenfell's search for mammon in western Canada. This confusion over goals is part of the explanation of why the Canadian Agency was such a disaster.

This second part will also contain an outline of other British investment in land which will serve to place the activities of the Canadian Agency in context and provide a basis for comparison of this type of investment. It will concentrate on companies organized in London and Liverpool.

Part Three will deal with the collapse of the Canadian Agency plus the various other companies within the context of

the end of the Canadian boom and the economic crisis of 1913. This crisis had its origins in London but its impact on Canada was intensified by the Canadian banks' response to it. In an effort to further reduce credit and thus deal with the overall problem of inflation induced by the investment boom, the Canadian banks cancelled loans for various public and private construction projects. The crisis of 1913, while only a temporary situation in the world's financial markets, had very serious implications for Canadian investments. The intent, therefore will be to take the emphasis off the First World War as the explanation of all of the economic ills of Canada after 1913.

Chapter Two

International Context of the Canadian Investment Boom

Canada emerged as a new object of British foreign investment and an object of serious interest in the City of London for the first time during the third wave, an honour it shared with Argentina.⁴⁶ Prior to the boom of 1904-1913, Canada had received infusions of British capital for railway construction in eastern Canada in the 1850s and for the construction of the Canadian Pacific Railway in the 1880s. London's interest in Canada as a field for long term investment did not begin to develop until the Canadian Pacific Railway in 1881. The construction of the Canadian Pacific Railway was not only financed by British investors but provided opportunities for the British businessmen to become involved in the related area of land.⁴⁷ This early interest in Canada is evident in the creation of the Canadian Gazette by Sir Thomas Skinner, publisher of the Stock Exchange Year Book and a member of the board of directors of the Canada North-West Land Company.

Volume of Capital Exports during the Canadian Boom

The first calculations of British investment in Canada, including Newfoundland, were made by Sir George Paish who

46 D.C.M. Platt. "Canada and Argentina: the First Preference of the British Investor, 1904-1914," The Journal of Imperial and Commonwealth History (May 1985): pp. 77-92.

47 For a partial explanation of why the 1880s was not a period of take off for British investment in Canada see Andre N. Lalonde "Settlement in the North-West Territories by Colonization Companies, 1881-1891" Ph.D. Thesis Laval University 1969. Chapter VIII.

estimated British total investment as of 31 December 1913 to be £564.9 million. His work was followed in 1924 by that of Jacob Viner.⁴⁸ Relying on balance of payments data, Viner estimated that total British investment in Canada to 1913 was £360 million. The most recent efforts to determine British investment during the boom period have been made by Matthew Simon and Donald Paterson. Matthew Simon, using the old definition of portfolio investment, indicated that between 1865 and 1914 British investors subscribed to £411 million of new Canadian issues. Because of his definition of portfolio investment, it is an over estimate. Paterson's estimate of direct investment was £41.4 million by 1914.

Timing

The Canadian boom, which is dated in the literature from 1896, did not become a feature in the London financial press until 1906, when the Financier and Bullionist sent its editor out to investigate Canadian resources.⁴⁹ His trip led to a series of glowing reports upon Canada as a field for British investment. In the same year The Times described the progress of Canada as the greatest event in the British Empire to-day.⁵⁰ The Times would continue to be a strong supporter of Canada even as other

48 Jacob Viner. Canada's Balance of International Indebtedness, 1900-1913. (Cambridge, Massachusetts: Harvard University Press, 1924) pp. 108-144.

49 D.C.M. Platt "Canada and Argentina: the First Preference of the British Investor, 1904-1914," The Journal of Imperial and Commonwealth History (May 1985): pp. 77-92.

50 Originally cited in the Canadian Annual Review, 1906.

publications became increasingly critical.⁵¹

Another factor contributing to a greater awareness of Canada in London was the increasing number of London businessmen, beginning in 1906, who travelled to Canada and made public statements about its investment potential. This group included London banker C.A. Hanson, who told the Montreal Gazette that Canadian securities of all kinds were in excellent demand and were influenced less by a depressed market than almost any others.⁵² The sympathy of the lending classes towards the Dominion had been evoked and, "to his personal knowledge large sums of money had come to Canada within the past twelve months."⁵³ The Winnipeg Free Press featured an interview with J.G. Colmer, described as being a member of the well-known Coates banking firm in London, was also very encouraging about the future prospects of British investment in Canada. In his view there was "no part of the world which, from the financial standpoint, occupies a better position in the English money market than Canada to-day."⁵⁴ Not only did these types of stories continue to appear, but journals dedicated specifically to Canadian investment also appeared, such as the Canadian Gazette.

⁵¹ Times, 2 November 1911, 29 July 1913, 7, 8, 15, 16 and 20 August 1913.

⁵² Montreal Gazette, March 19 1906.

⁵³ Ibid.

⁵⁴ Winnipeg Free Press, 15 October 1906.

By 1909 Canada had surpassed both Argentina and the United States as the most important recipient of capital. Consistent with the overall trend in British investments overseas during this last long swing, over 50 per cent of the investment raised between 1906 and 1913 was concentrated in the years 1911 to 1913.

Push Factors

After 1909 the Canadian boom was given further momentum by the tax policy of Lloyd George which had the effect of creating a flight of capital from Britain. Evidence that his policies had this effect on the Canadian boom include references in such contemporary documents as the Canadian Annual Review which noted in 1909 that "the home conditions of political disquiet had something to do with ..." the evidence of British interest and confidence in Canadian development.⁵⁵ Earl Grey who was in contact with many potential investors in Canada also commented on this flight of capital by pointing out that:

Canada is full of young Peers and Members of Parliament, some of whom are busily engaged in ascertaining the best way of transferring their English into Canadian acres. They are scared stiff by Lloyd George.⁵⁶

Further evidence that there were important push factors

⁵⁵ Canadian Annual Review, 1909 p. 165. The Canadian Annual Review for 1910 p. 82 noted that "Many British visitors and Canadian visitors to England declared that one of the causes of the increase in British capital coming to Canada was the Lloyd George Budget and its new taxation. Of the latter class were W.C. Matthews of Toronto, G.F. Johnston of Montreal and C.R. Hosmer of many financial interests."

⁵⁶ Grey to Moreton Frewen, 30 September 1910. Earl Grey Papers, 4th Earl.

behind the Canadian boom is to be found in the movement of British capital into the Canadian banking system. As H.M.P. Eckardt, a London-based journalist who specialized in banking issues observed, depositing money in Canadian banks was one way to escape the high taxes on capital. A British capitalist would:

establish connections with one of the important banks in Montreal, Toronto, Winnipeg, Calgary, Edmonton, Victoria or Vancouver. He would transfer a block of capital to Canada for investment and perhaps subsequently send further amounts. The income from these investment would not be remitted home to England but would accumulate in the Canadian bank account pending reinvestment. In very many cases an account of this kind would show a large balance. And through obtaining a considerable number of such accounts the Canadian banks augmented their deposits materially in 1910, 1911 and 1912.⁵⁷

Role of the Aristocracy

By 1910 investment in Canada, as the above quotation would suggest, was being undertaken by an increasing number of British aristocrats. The role of the aristocracy was given special emphasis by the Canadian Annual Review for 1912. It noted the Canadian investments of such peers as the Duke of Sutherland, the Earl of Leven, Earl of Aberdeen, Lord Clanwilliam, Lord Hindlip, Lord Desborough, Lord Saville, Lord Joicey, Lord Congleton, Lord Castlereagh, Lord Hyde, heir to the Earl of Clarendon, Lord Somers, Lord Vernon, the two sons of the Earl of Leicester, the Earl of Erroll, Lord Clinton, Lord and Lady Hythe, Lord Dunmore, Lord Beresford, Lord Northcliffe and Earl Winterton. Members of

⁵⁷ H.M.P. Eckardt, "The Banking Half-Year in Canada" The Bankers' Insurance Managers' and Agents' Magazine Vol. XCVI (July to December, 1913) p. 336.

the gentry identified in the article included Sir William Garstin, Sir Arthur Lawley, Sir H. Hamsworth, Sir Thomas Lipton, Sir Charles Hunter and Sir Ronald Lane.

The role of the aristocracy in Canadian economic development was strongly encouraged by Earl Grey, who functioned officially as Governor-General of Canada and unofficially as a promoter of British capital in Canada. His role as a contact for many of these individuals during their trips to Canada was the subject of many of his letters to his son-in-law, Arthur Grenfell. The one visitor who impressed him the most was Lord Northcliffe who realised "more vividly than anyone else . . . the importance of getting young Englishmen of the right class out to this country."⁵⁸ Grey also felt that these types of individuals could benefit British and Canadian interests in Latin America because:

If we turn out young Englishmen of character and good manners, with a knowledge of Spanish, we ought to secure the bulk of the trade of South America for Canada and the United Kingdom. The Latin races do not like the Americans, whom they regard as cads and bounders. They will prefer to give what they have to give to men whom they regard as gentlemen.⁵⁹

Distribution

The distribution of this investment has been analyzed to the greatest extent by Matthew Simon with respect to portfolio investment and Donald Paterson with respect to direct investment.

⁵⁸ Earl Grey to Arthur Grenfell 2 December 1908. Earl Grey Papers, 4th Earl.

⁵⁹ Ibid.

Simon notes the highly conservative nature of British investment in Canada with almost 81 per cent of the £411 million of its new issues being bonds, most of which were either government or government-guaranteed obligations, while 14 per cent were in common stocks. The caution of the British investor is also demonstrated in the industrial composition of their Canadian selections. A strong preference for the financing of the social over-head capital requirements of the Dominion combined with a basic reluctance to commit huge sums to the issues of the primary and secondary sectors of the expanding Canadian economy were its central features.⁶⁰

Paterson's data on the distribution of direct investment emphasizes the importance of the resource based industries which included mining, oil, and timber. In 1900 and 1914 these three sectors of the Canadian economy attracted 68.5 per cent and 30.7 per cent respectively of direct British investment in Canada. The financial sector remained relatively stable ranging from 10.1 per cent in 1900 to 14.5 per cent in 1914. Utilities attracted from 9.2 per cent in 1900 to 13.7 per cent in 1914. Manufacturing benefited the most from the decline in investment in the resource based industries, increasing from 6.4 per cent to 22.9 per cent in 1914.⁶¹

⁶⁰ Matthew Simon. "New British Investments in Canada, 1865-1914." The Canadian Journal of Economics Volume III Number 2 (May 1970) p. 238.

⁶¹ D.L. Paterson, British Direct Investment in Canada, 1890-1914; Estimates and Determinants. p. 50.

Specialized Role of British Capital

Despite the emphasis in the literature given to British investment in Canada during this period, capital flows into and out of Canada represented a partnership between the British, American and Canadian business communities. The British investor consistent with its investment practices elsewhere showed a "strong preference for the financing of the social over-head capital requirements of the Dominion combined with a basic reluctance to commit huge sums to the issues of the primary, secondary and tertiary sectors of the expanding Canadian economy."⁶² British investors were also less obvious because they worked through a system of local agents and local companies.

American capital invested in Canada, on the other hand, involved the direct participation of American entrepreneurs in the Canadian economy with greater participation in the manufacturing sector of the economy.⁶³ As Dunning explained, "if British capital, invested in railways and public utilities securities, laid the foundations of Canadian growth in these years, American enterprise has been one of the greatest

⁶² Matthew Simon, "New British Investment in Canada, 1865-1914," Canadian Journal of Economics, III, No.2, (1970), p. 242; Earl Grey to Arthur Grenfell, 2 December 1908. Grey Papers, 4th Earl.

⁶³ The literature on American investment includes C.K. Hobson The Export of Capital p. 29; Fred. W. Field Capital Investment in Canada p.15, 20-21, 22-23; Jacob Viner: "Canada's Balance of International Indebtedness, 1900-1913," Harvard Economic Studies XXVI, Cambridge, Mass., 1924. p. 127-141; Canadian Annual Review 1906 p. 198.

beneficiaries.⁶⁴ This partnership was explained by Lord Strathcona, who was closely associated with the Canadian Pacific Railway and the Hudson's Bay Company as well as being Canadian High Commissioner in London. In an article in the Toronto Globe he wrote that:

One hears more of American capital than British, for the reason that our cousins from the United States go into Canada and buy a lumber proposition, a mine, a commercial enterprise, or start a branch of some of their own enterprises in one of the Provinces. In these cases they go to the country themselves, and obtain much publicity. English capital is usually invested in an entirely different way. It is lent to Governments, to municipalities, to railways to well-established industrial enterprises, and to loan and mortgage companies, and the investors remain quite satisfied if their moderate interest and dividend are forthcoming at the proper time, and their loans are met at maturity. As a matter of fact, the methods of investing British money and American money in Canada are on an entirely different basis, and this must be borne in mind when the question is discussed.⁶⁵

Canadian investment in other countries was also part of this partnership arrangement, since it involved in part the re-export of British funds by Canadian businessmen who were taking advantage of their access to the London market.⁶⁶ Canadian investors did not, therefore, direct domestic and foreign capital exclusively towards the objective of nation building in Canada

⁶⁴ John H. Dunning Studies in International Investment. (London: George Allen & Unwin Ltd., 1970) p. 195.

⁶⁵ Canadian Annual Review, 1909 p. 164.

⁶⁶ See Canadian Annual Review, 1906 p. 199, Canadian Annual Review, 1907 pp. 50-51; Viner, "Canada's Balance of International Indebtedness, 1900-1913," pp. 89-92; Christopher Armstrong and H. V. Nelles, Southern Exposure: Canadian Promoters in Latin America and the Caribbean, 1896-1930; The Economist, 13 February 1909 "Canada in South America"

but also chose to follow the British into their traditional areas of investment in the United States and Latin America.

A Critical View of the Canadian Boom

Canada's new importance in London represented a major shift in the perception of it as a field of investment. The sudden appearance of Canada was noted by J.A. Hobson who observed in a 1906 publication that Canada was "conscious, uproariously conscious, that her day has come . . . The poor relation has come into her fortune."⁶⁷ In a similar vein, The Economist observed:

A generation ago it was the fashion to belittle Canada, to think of her as the poor cousin of the United States, too far North ever to enjoy a development at all parallel to that of her southern neighbour. Since that time these views have had to be modified, and Canada has boomed with a vengeance. Unlimited wheat lands and timber areas are being exploited by an ever-increasing tide of immigration. Mineral discoveries in many parts have given a stimulus to speculation.⁶⁸

One of the implications of the importance of Canada in British capital exports was that Canadian economic performance was being examined to a greater extent than ever before. Despite this new interest, Canada did not receive the full confidence of the British business community. As early as 1904 The Financial Times expressed fears about Canadians forcing the pace of Canadian economic development too fast. Its comments in regard to

⁶⁷ Quoted in D.C.M. Platt. "Canada and Argentina: the First Preference of the British Investor, 1904-1914," The Journal of Imperial and Commonwealth History (May 1985): p. 78.

⁶⁸ The Economist, 8 July 1911.

this issue were based on statements made by Senator Cox, President of the Canadian Bank of Commerce at the annual general meeting. In his speech Senator Cox warned Canadians that:

unless we propose to accept the lessons which flow from exploded speculations, excessive promotions of new or reorganised industrial ventures and excessive demands on the part of labour, we have no good reason to suppose that we are to be spared the natural consequences.⁶⁹

Another concern of Senator Cox was that until 1903 the exports of the Dominion had exceeded its imports but that in 1903 the latter exceeded the former by \$8,000,000. This change, as Senator Cox pointed out, was "distinctly ominous, and so long as Canada indulged in railway building to a very great extent and [did] not make her own rails and other supplies at home, she cannot expect to keep down her imports."⁷⁰

Further evidence of this ambivalence in the British attitude to the Canadian boom includes articles in the Canadian Annual Review. In 1906 it noted that:

Still, there was constant complaint in Canada as to the apparent lack of interest shown by Great Britain in the financial side of the country's life. British money might come out in various forms and multitudinous details but the source was not generally recognized. Wealthy Englishmen did not come to Canada and parade their individual investments in public and the people at large did not see within the charmed circle of financial management and method.⁷¹

In terms of London-based newspapers, Canada's leading critic

69 The Financial Times, 12 February 1904.

70 Ibid.

71 Canadian Annual Review, 1906 p. 197.

was The Economist which made an effort to penetrate below the 'boosterism' to analyze the effectiveness of the investments being made in Canada. Its comments indicated that the lack of participation of the British investor in the industrial development of Canada had something more to do with simply their natural conservatism as investors but also reflected the poor performance of those companies in which substantial British investment had been made.

As early as 1909, The Economist had expressed its fears about over-borrowing by various Canadian Governments particularly at the municipal level. It had dismissed the complaints by Canadians that English capitalists had not invested in Canada and had also pointed to the need for civil service reform in Canada to remove the "corrupt practices in public and subsidised enterprises. . .".⁷² Another Canadian 'complaint' which The Economist responded to in 1909 was criticism of the Grand Trunk Railway for maintaining its head office in London. The Economist's view was that Canadians were guilty of the same practice which they made even worse by using foreign capital. In its view when Canadians embarked on a commercial enterprise abroad, they often retained control in Toronto or Montreal as rigidly as the Grand Trunk directors maintained the supremacy of London "with this important difference, that much of the money with which the enterprises are carried out was raised in Europe

⁷² The Economist, 30 January 1909.

and most of the present shareholders are Europeans."⁷³

As Canadian dependence on British capital increased, The Economist became more serious about its role as a monitor of Canadian economic performance. In its first extensive article reviewing the Canadian boom published in 1911, it indicated that it was not its intention:

to describe, or even to discount, this surprising development. But [to] give some . . . tables showing different aspects of this progress, and then indicate how far the development of Canada [had] been carried out by the aid of this country, and the growing extent to which British investors are becoming interested both in the progress and in the stability of the Dominion.⁷⁴

In this first major article The Economist analyzed trends in Canada's population growth, trade, revenue and expenditures, debt and the performance of Canadian industrial companies financed through London. In regard to population, it pointed out that Canada owed the speed of its development to an immigrant population and "it is on the quality and size of this yearly stream of new arrivals that the success of those who are discounting the future depend."⁷⁵ Even with this influx of immigrants The Economist still regarded Canada's population to be very small relative to the size of the country.

The article then moved on to the review of the trade figures for 1868, 1873, 1888 and 1911. Over this period total exports

⁷³ Ibid. 13 February 1909.

⁷⁴ Ibid. 8 July 1911.

⁷⁵ Ibid. 8 July 1911.

grew from \$57,568,000 in 1868 to \$297,196,000 in 1911. Imports however grew much faster increasing from \$73,460,00 in 1868 to \$472,194,000 in 1911. The major beneficiary was the United States which accounted for 60 per cent of Canadian imports by 1911.

Revenue and expenditures for the Dominion Government 1868, 1888, 1908 and 1910 were the third economic factors to be analyzed. The statistics for these four years indicated that expenditures always exceeded revenue with the gap in 1910 being approximately \$14 million. Closely related to these statistics were those for debt which had grown from \$96,897,000 in 1868 to \$470,663,000 in 1910. In discussing this debt The Economist made the point discussed earlier that two-thirds of it was in railway stocks and that investment of British capital in Canadian and resource-based industries had begun to occur after the turn of the century.

A sufficient number of investments had been made and sufficient time had elapsed, however, for The Economist to identify a general trend which was clearly one of failure. Of the five industrial companies created between 1901 and 1905 using British funds all were in liquidation by 1910. The Economist's overall assessment of Canada was that it was underpopulated, had a balance of trade problem, a large foreign debt, a corrupt political system, a record of business failure and was obtaining some of its investment from Britain using fraudulent methods.⁷⁶

⁷⁶ The Economist wanted a more rigid supervision of public works contracts and the allotment of timber limits in order to eliminate corruption and additional civil service reforms to deal

This view was further developed in later articles in which other concerns, such as land speculation in western Canadian urban land were added.⁷⁷ One such article in the same year which concentrated on Canadian industrial stocks noted that:

Although for years English capital has been flowing into Canada at an astonishing rate, Canadian industrials have not found favour on the London market. Mindful of the short and inglorious careers of many Canadian ventures boomed over here, the investor has been content with safe, if smaller, returns from municipal and railway stock.⁷⁸

Another example of its close attention to the course of Canada development was its analysis in August 1912 of a census of manufacturers released by the Office of the High Commissioner for

with other abuses in the system. An inquiry into the Marine Department conducted in 1908 and described in some detail in the 30 January 1909 issue provided evidence for the need of administrative reform. The report made public by the inquiry indicated that merchants had been over-charging the Government by amounts ranging up to 250% and had been paying 'commissions' to the officials who purchased from them or who recommended purchases or who certified to the fairness of the account. There was also evidence of endless petty thieving and the sale of articles to the government by government officials through the use of middlemen.

⁷⁷ The Economist developed its critique of the political economy of Canada in the following articles: 23 January 1909 'Canada's Chancellor of the Exchequer and the New Loan'; 30 January 1909 'Administrative Reform In Canada'; 6 January 1912; 'Canadian Finance'; 9 March 1912, 'The Rush of Capital to Canada'; 31 August 1912 'Capital and Industry in Canada'; 16 November 1912, 'British Capital in Canada'; 25 January 1913; 23 November 1912, 'Canadian Securities'; 6 September 1913 'A Startling View of Canada'; 27 September 1913, 'Canada's Municipal Loans'.

⁷⁸ Ibid. 11 November 1911.

Canada.⁷⁹ In analyzing these statistics, it pointed out that the number of firms employing more than five hands had increased only by 31 per cent which it felt was not large for a ten year period. It also pointed out that in 1900 the annual output represented 107.5 per cent of the capital employed while in 1910 this proportion had fallen to 91 per cent.

Response from the Canadian Financial Press

The Canadian financial press including Toronto Saturday Night and the Monetary Times quickly responded to the criticism from London. The Toronto Saturday Night covered the financial scene in Canada and engaged in investigative reporting to deal with what it regarded as abuses in the system. Its campaign against outside subdivisions and land speculators began on 23 December 1911 in an article entitled "Fleecing the Credulous Land Buyer" in which it pointed out that:

Every day as sub-divisions multiply it becomes more necessary to spread broadcast the warning never to invest in Western Canadian city property before you have seen it with your own eyes and satisfied yourself that it will be required within a reasonable time to accommodate actual expansion of the city, and have come to this conclusion without the aid of the real estate agent's logic, or have secured a report from a disinterested source.

Following this introduction, the author then preceded to describe in some detail how the land speculator operated in Edmonton which was used as an example of what was happening in other western

⁷⁹ Ibid. 31 August 1912; Michael Edelstein Overseas Investment in the Age of High Imperialism: The United Kingdom, 1850-1914. New York: Columbia University Press, 1982. p. 281.

cities. Marketing methods noted in this article involved the use of professional "cappers" from New York whose role was to pose as a potential purchaser of land in order to pressure the unsuspecting costumer into buying the property.

The Monetary Times was a Montreal-based publication with correspondents throughout the West and offices in Toronto and London. Its specialty was reporting on foreign investment in Canada. Its attacks on land speculation appeared between 1911 and 1913. The most vicious of these articles appeared on 18 May 1912 and was entitled "Western Canada's Subdivision Curse". Fred Field began his article by noting that the development of the Canadian West had led to a legitimate increase in land values but that this situation had attracted:

a floating army of land sharks, discounting that fact again and again, until the holders of hundreds of acres and thousands of so-called city and town lots have their money locked in land they cannot sell except to those who are equally as or more foolish than themselves.

Field then dealt with the methods used by the land speculators making the same points about how they misrepresented the location of the land and the extent to which it would actually be needed in the future. The implications, in his view, of high land values for the urban resident in search of affordable housing was that when these residents went in search of a home he found that all the dwelling sites along the [streetcar] lines were held by speculators and that the farm land beyond had been subdivided into 25 foot lots which were unavailable at prices which he could afford. The same problem of

high rural land values adjacent to the urban communities was encountered by the market gardener with the result that Canada was importing large quantities of vegetables. The international implications were indicated by the Monetary Times in 15 June 1912 in an article entitled "Land Speculation in the West" when it pointed out that:

The Canadian banks are doing everything they can to discourage this speculation, which has reached such a stage as to seriously alarm prominent Canadians in London, who have expressed the hope that Lord Strathcona may issue a public warning to Englishmen to beware of Western Canadian land speculation and buy nothing that they have not seen.

In the best informed circles it is confidently believed that a complete collapse of the present land speculation will occur in the near future; and it is the desire of all the large business interests to save the credit of Canadian investments in the English market by preventing as far as possible a continuance of the present ill-advised land speculation.

In addition to newspaper articles which dealt directly with Canada's deficiencies, these same publications also document the existence of rumours in the City concerning Canada's economic problems. At the 1913 annual meeting of the British Canadian and General Investment Company the chairman responded to what he described as "the suggestion which they often heard, that it was not wise to invest money in Canadian securities as the country had been borrowing too largely."⁸⁰

Response from the Canadian Business Community

The business community concerned with Canadian affairs was

⁸⁰ The Economist, 15 March 1913.

quick to respond to this criticism. They were anxious not to lose the confidence of London since New York was a less desirable alternative for the purpose of borrowing money. As Sir Thomas Shaughnessy of the Canadian Pacific Railway lamented in 1915:

The sentimental interest taken by the Mother Country in Canada accounted to some extent for the readiness with which the British investor bought our securities. If, as is likely, we have to turn now for our loans to New York, we can no longer count on sentimental sympathy, but must be able to guarantee that the money we desire to borrow will be carefully and economically spent on enterprises which are immediately productive.⁸¹

As early as 1908 R.E. Wood, Chairman of Dominion Securities Corporation, had warned Canadians about abusing the trust of the British investor. He advised Canadians to:

Meet the British investor not merely with good faith to which his confidence and enterprise entitle him, but with such abundant good faith as shall keep our financial reputation second to none. There must be no 'sharp' practice. A securities market like any other market can be spoiled by dishonesty. The magnitude of our needs shows that to spoil it would be a natural calamity and would put back the hands on the dial of progress for a generation.⁸²

Sir Edmund Walker on maintaining the Confidence of London

Sir Edmund Walker, successor to Senator Cox as President of the Canadian Bank of Commerce, followed the example of his predecessor by becoming the leading spokesman of the Canadian

⁸¹ The Financial Times, 30 December 1915.

⁸² Canadian Annual Review, 1908 p. 604; See The Economist 30 January 1909 for additional comments by Woods on the need for Canadians to be above reproach in their dealings with London.

banking community on the issue of Canadian conduct in London during the Canadian boom. The Canadian Bank of Commerce had a large number of branches in western Canada and was also well established in the London banking community where it was represented between 1870 and 1901 by the Bank of Scotland at which time it acquired its own office by virtue of the purchase of the Bank of British Columbia. The British connection of the Canadian Bank of Commerce was further strengthened by British ownership of 28 per cent of its shares. Walker was aware of the situation both in western Canada and in the London money market. Walker was also a strong supporter of the British Empire which he felt provided the basis for Canada's future development. In order to ensure that Canada would receive the benefits of its place in the Empire, he stressed the need to protect Canadian credit in London and to enlist the support of the new immigrants to Canada for the Empire.

What are we doing to make sure that the newcomers understand our political ambitions? And yet our future may depend on whether they will join us and play the game or not. Who stops to remember that Great Britain gave Canada the western provinces merely on payment of the claim of the Hudson's Bay Company? Did she not do it because she was sure that we would play the game like gentlemen? Play it we shall, of course, but in all fairness let us set out before the newcomers what the game is. If we do so the children of the non-British settlers in the West will be as good Canadians as we are. Let both political parties join in saying on every political platform in the West that we are destined to do our share and eventually to pay our share towards the perpetuation of the British Empire forever.⁸³

⁸³ Article from MacLeans dated 1912 in Grey Papers. Earl Grey Papers, 4th Earl.

Walker's concerns about the Canadian economy covered a number of issues which were expressed in public statements made during tours of the West and in greater detail in his annual reports. The discussion of the Canadian economy in Walker's annual reports represent one of the most important rebuttals to the booster view of unlimited economic growth.

The 1910 annual report stated that Canada:

is somewhat like a man who, having a rich inheritance in land, borrows to develop it, and, confident of its future value, spends freely for his present gratification, while he does not make effort enough to create the needed present revenue from his property.

As evidence of this trend, Walker pointed to the importation of large quantities of agricultural goods which could be grown in western Canada.

Walker continued his discussion of Canada's credit and the importance of imported capital in his 1911 annual report. In this document Walker acknowledged that "there are those in England who are asking whether we are borrowing too much." This question was disturbing to Walker because in his view:

There is of course one great reason why we must go more and more largely into debt for many years to come. At present we are preparing for settlement of about 400,000 immigrants in one year. This is an addition of five per cent to our population, or the same as if 4,500,00 new people entered the United States in one year. To provide everything for these people from transportation to housing, is a huge task, quite large enough to account for more than the difference between our imports and exports.⁸⁴

⁸⁴ Canadian Bank of Commerce, Annual Report 1911.

While Walker felt that immigration justified the importation of large amounts of British capital, he was critical of how the agricultural sector of the economy unnecessarily increased the level of imports.

We refer particularly to the apparent indifference of a very large percentage of our farmers to the raising of high-grade cattle, hogs, horses and sheep and also to the lack of efforts on their part to produce such profitable commodities as milk, butter, eggs, cheese, vegetables, fruit, meats, poultry and all minor by-products which a farm is capable of producing. It is a deplorable state of affairs that Western Canada imports from the United States very large quantities of the commodities mentioned, the value of which runs into millions of dollars yearly.⁸⁵

Walker also deplored the extent to which western Canadian farmers had concentrated their efforts solely on the raising of wheat, a large quantity of which was exported. This situation meant that the entire Canadian economy, in terms of its position in the world economy, depended upon the quality of the western Canadian grain harvest. Walker was thus calling for greater self-sufficiency.

The number of outlying subdivisions placed on the market was another undesirable aspect of the Canadian economy identified by Walker. In discussing this issue, Walker called for action on the part of the more responsible real estate firms to avoid the inevitable disaster if no action was taken. In his view:

The cure for this unhealthy state of affairs rests in the hands of the more reliable firms, and we cannot too strongly urge upon them the importance of applying the remedy without delay. . . . It is to them . . .

⁸⁵ Ibid.

that the commercial community look for protection from a catastrophe which will inevitably come if present methods are allowed to continue.⁸⁶

Many of the problems such as over-borrowing and the need to protect investor confidence were symbolized by the manner in which western Canadian cities were being developed. Walker introduced his discussion of cities by noting that "capital is timid of investment in new countries and new enterprises, and every care should be exercised to guard the interest of bona fide investors."⁸⁷ The development of western cities had in his view:

created a desire for the best class of pavements, roadways, sewers, etc. This is very commendable, but the authorities in providing such improvements are inclined to load the future to too great an extent. Debentures which are drawn for 5, 10, 15, 25 and 30 years would be more sound if drawn for 2, 5, 7, 10, and 15, years, the shorter periods of time more nearly representing the life of the improvements.⁸⁸

In a further comment on western Canadian urban development Walker noted that with respect to the growth of Vancouver that "the only feature calling for discouragement is the speculation in real estate values, for much of which promoters in other financial centres, even in England, are almost as responsible as are those in British Columbia."⁸⁹

⁸⁶ Ibid.

⁸⁷ Ibid.

⁸⁸ Ibid.

⁸⁹ Ibid.

The Response from the Cities of the West

The response to the criticism from London in such centres as Regina and Edmonton began as early as March 1911, when The Edmonton Chamber of Commerce approached the Alberta Provincial Government to obtain its co-operation in:

devising some action which would tend to protect the credit of the Province and legitimate Alberta business enterprises from the damage likely to accrue from the action of certain real estate men in selling to the outside investing public as town or city lots subdivisions far beyond city or town limits which can have no real value as lots for many years to come.⁹⁰

More specific suggestions were made in December of the same year when it requested the Provincial Government to enact legislation:

that will protect the legitimate investor and will prohibit the publishing of any plan intended to promote the sale of property that fails to show the scale of such plan and which does not show the whole of the town or City in or near which such property is situated.⁹¹

In May 1913 the Edmonton Chamber of Commerce requested the Provincial Government to prohibit the registration of subdivisions showing lots of less than a certain minimum size.

In addition to requesting action by the Provincial Government, the Board of Trade took more direct action by opposing the holding of land fairs in March and November of 1912 and by purging its Real Estate Section of any members which it felt were land speculators. The Board of Trade as early as June

⁹⁰ Edmonton Board of Trade, Council Minutes, 10 March 1911.

⁹¹ Ibid. 11 December 1911.

1913 also made changes in the literature it was sending to England which stated that the minimal capital required to establish a person in Alberta was \$1,000. These changes reflected the growing level of unemployment in Edmonton.

Government action in response to the request from various groups including the Edmonton Board of Trade consisted of amendments to the land subdivision process which required that the Provincial Department of Public Works approve any subdivision. Other legislation included the Town Planning Act of 1913. These efforts by the Provincial Government were, however, too little, too late, since the collapse of the land market in the same year as the passage of the Alberta Town Planning Act dealt with the problem before this legislation could have any long term effect. The most useful provincial legislation was the tax recovery acts which permitted the municipality to assume ownership of the land for the nonpayment of taxes.

Canadian Chamber of Commerce

The most important response to this criticism was the organization in London of a Canadian Chamber of Commerce in 1912. Its creation began on 22 January 1912 with a meeting at the Royal Colonial Institute. The objectives of the proposed organization were to encourage and promote Anglo-Canadian trade and commerce, safeguard Canadian credit in London, encourage the development of Canadian industries by British capital, and the furtherance of

Canadian interests in the United Kingdom.⁹²

Press reports about the proposed Canadian Chamber of Commerce were more blunt about the need for this organization. The Saturday Night in an article entitled "Anglo-Canadian Business Men After the Promoter" made specific reference to the great many flotations involving "near-town" lots or third-class oil propositions, bearing Canadian names and high-sounding titles, which had been put out for European consumption, many of which were not a credit to Canada.⁹³ Saturday Night's source of information was F.C. Salter, European traffic manager of the Grand Trunk Railway who indicted that such an organization "will do an immense amount of good for the development of Canadian industries by British capital, and at the same time safeguard the British investor against the unscrupulous promoters who are now foisting worthless, or next to worthless, securities on the English public."⁹⁴

The action taken at this meeting included the creation of a working committee consisting of J.H. Turner and Ben H. Morgan whose responsibility it was to draft the memorandum and articles of association, as well as the by-laws. This committee also had the responsibility of contacting the individuals whose names were brought forward at the meeting to serve as president, vice-

⁹² Grenfell to Earl Grey 24 January 1912. Earl Grey Papers, 4th Earl.

⁹³ Saturday Night 3 February 1912.

⁹⁴ Ibid.

presidents, and members of the council. Earl Grey, who had returned to a hero's welcome in London following the end of his term as Governor-General of Canada, was suggested for the office of president.

The other individuals suggested were all members of the Anglo-Canadian business and political establishment in London. The Canadian Pacific Railway was represented by Lord Strathcona and Lord Mount Stephen. The Grand Trunk Railway was represented by its Chairman A.W. Smithers. The other representative of the transportation industry was Hugh Allan of the Allan Royal Mail Line. Five Canadian banks were represented including the Bank of Montreal, the Bank of Commerce, the Dominion Bank, the Royal Bank and the Union Bank. Arthur Grenfell of the Canadian Agency and Ben H. Morgan of the General Electric Company and the Alliance Investment Company represented the limited amount of British capital being invested in Canadian industrial stocks and land. J.H. Turner, Dr. P. Pelletier and John Howard, Agent-Generals for British Columbia, Quebec and Nova Scotia respectively, represented the various agencies which had been established by the Dominion and Provincial governments in London primarily to promote investment and immigration. The last of the names put forward were Lieutenant-General Sir J. Bevan Edwards and Sir Charles Tupper, a former Prime Minister of Canada who had retired to London.

The sub-committee began their work immediately by writing letters to the nominees including Arthur Grenfell who was also

being considered as the first chairman of the council. Grenfell was reluctant, however, to assume this position preferring instead to see Sir Thomas Skinner occupy the chair.⁹⁵ By June of 1912 the Canadian Chamber of Commerce took its first initiative to protect Canadian interests in London by issuing a series of rules to govern the conduct of businessmen when dealing with Canadian real estate in the United Kingdom. These regulations were:

to prevent the sale in Great Britain of so-called "town lots" or "building plots" in or near rising cities in the Canadian West, which "town lots" are of a worthless character, so far as being useful as city building sites is concerned. Instances have been brought to the notice of the Chamber of unscrupulous firms exploiting the British market who are selling property by means of inaccurate plans and drawings and descriptive matter of a misleading character . . .⁹⁶

In order to deal with this situation, firms in Britain dealing in Canadian real estate were asked to sell only land which was part of a subdivision registered according to the local land titles acts and not to publish or distribute any map or plan which had a scale not less than two inches to one mile, radial circles of distance from the recognized centre of the town, the existing boundaries of the municipality, the location of the subdivision in which the land was being sold, population of the town at the last census and the address of the Land Titles Office where

⁹⁵ Arthur Grenfell to Earl Grey, 26 January 1912. Earl Grey Papers, 4th Earl.

⁹⁶ The Times, 11 June 1912.

original plan of subdivision was filed.⁹⁷

The Canadian boom was part of the Edwardian climax to Britain's one hundred year old role as the world's dominant exporter of capital. Canada's participation in this process reflected the same pattern of British investment on a world wide basis with the exception that British investment in Canada was even more specialized in government and railway securities than was the case in other countries. One explanation for this trend was the lack of trust on the part of some businessmen in Canadian industry and the role of American capitalist. This ambivalence led to the development of two points of view about the development of Canada. The Canadian Agency and the people who promoted it played an active role in this debate about the economic development of Canada through to its resolution in 1913-14.

97 Ibid.

Chapter Three

Canadian Context of the Canadian Investment Boom

Chapters One and Two were concerned primarily with the significance of British investment in Canada within the context of Britain's role as the dominant supplier of capital to the world economy from 1815 to 1914. Chapter Three will focus in greater detail on the Canadian investment boom of 1900 to 1913, expanding on points made in Chapter Two about this event and adding new information on the geographical context of British investment in land and British investment in other sectors of the Canadian economy, such as railways, in order to further illustrate its very rapid expansion and diversification, particularly between 1909 and 1913. In providing this overview, British investment in western Canada will be emphasized, although British investment in central Canada will also be discussed in order to illustrate its regional distribution and contribution to the capital formation process throughout Canada. This discussion of the regional impact of British investment will be followed by a discussion of overall trends in immigration and foreign trade in order to further document the unprecedented expansion of the Canadian economy generated by foreign investment, as well as the types of pull factors which emerged to complement the push factors discussed in Chapter One. This chapter will also include a discussion of 'boosterism' and its relationship to the economic realities which created this distinctive period in Canada's economic history.

British Investment and the Development of Western Canada

British investment during the Canadian investment boom was directed towards the central Canadian provinces of Ontario and Quebec and the western Canadian provinces of Manitoba, Saskatchewan, Alberta and British Columbia. As The Economist observed, western Canada "is the land of promise, and the Eastern Provinces are looked upon as an old and worked-out country by the pioneers and adventurers".⁹⁸ Within these two regions Ontario and British Columbia were the major recipients. In 1900, 1905, 1910 and 1914 British Columbia received 56.4 per cent, 50.5 per cent, 38.3 per cent and 26.0 per cent while Ontario received 10.4 per cent, 9.7 per cent, 11.4 per cent and 15.2 per cent respectively of Britain's total investment in Canada.⁹⁹

Another aspect of the Canadian boom which also reflected the general trend in British investment at this time was its increasing diversification. This trend was commented upon by The Canadian Annual Review and analyzed in some detail by The Economist.¹⁰⁰ The latter noted that a definite trend towards diversification began between 1901 and 1905 when the Western Canada Cement and Coal, Western Canada Pulp and Paper, the Canadian Oil Fields, the Canadian Pacific Sulphite Pulp Co. and Imperial Mills of Canada all raised funds in London. Between 1906

⁹⁸ The Economist, 8 July 1911.

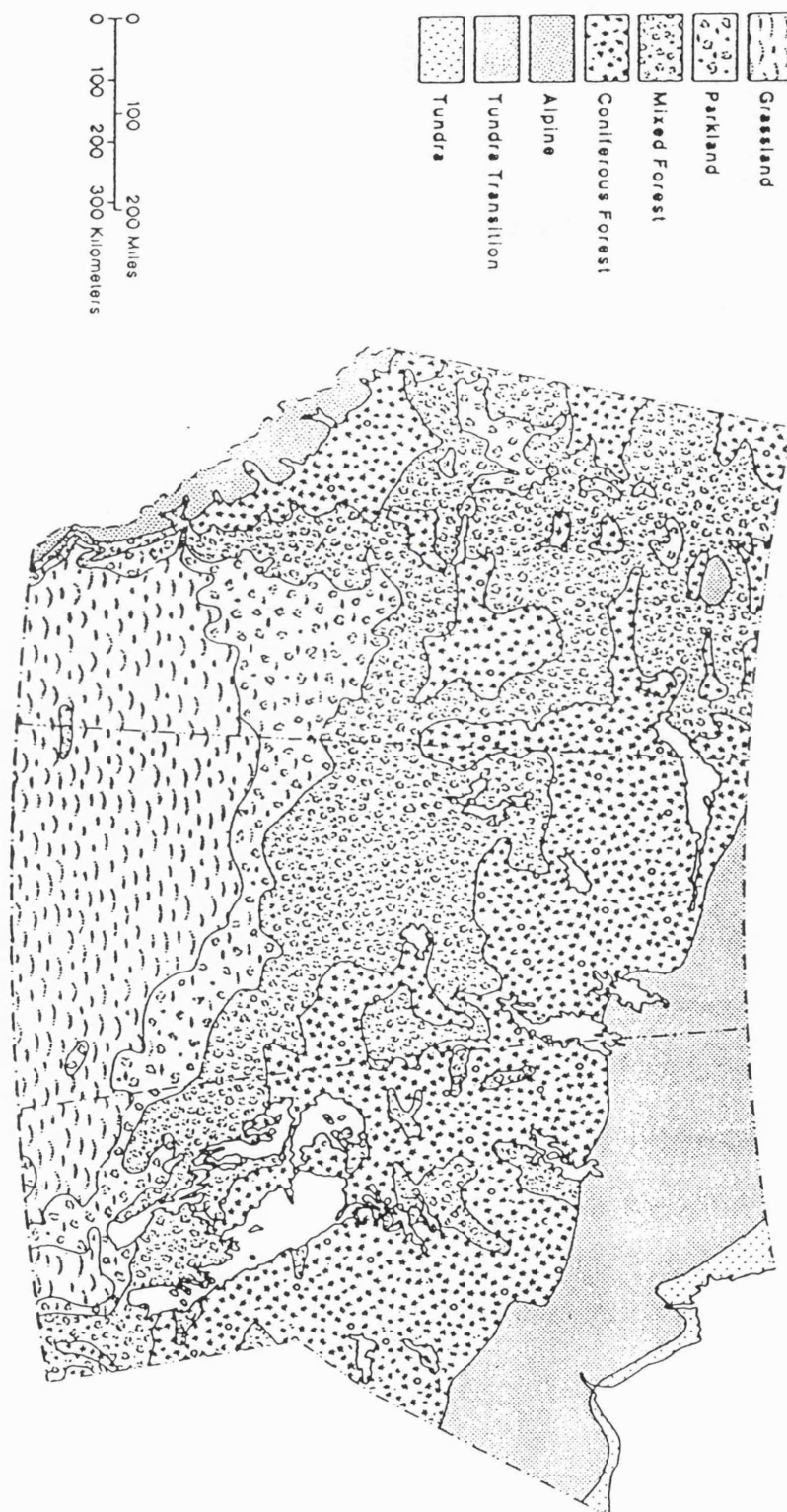
⁹⁹ Paterson. British Direct Investment in Canada, 1890-1914; Estimates and Determinants. p. 52.

¹⁰⁰ The Canadian Annual Review, 1906; The Economist, 8 July 1911 and 11 November 1911.

and 1910 the pace increased with issues by the Western Canadian Land and the Southern Alberta Land Companies, both of which will be dealt with in greater detail in later chapters of this thesis. In 1909 five new land corporations and two oil fields came on the market, and in 1910 three land companies, two oil companies, and two lumber companies also came on the market. In 1908 industrial stocks came into the market to supplement the land, mine and oil companies. In that year came Penmans, the blanket and hosiery makers, Imperial Tobacco Company and Western Canadian Flour Mills. In 1909 at least eight industrials, including cement, cotton, mineral, rubber and others were placed on the London market.

Physical Geography of Western Canada

The first three western provinces, which are referred to collectively as Canada's prairie provinces, cover an area of 757,985 square miles, less than 50 per cent of which consists of land which is considered suitable for agricultural purposes. This agricultural land is separated from similar land in Ontario by the Canadian shield thus making it impossible to have a continuously receding land frontier as was the case in the United States. The implications of this geographical fact was that when the open land frontier came to an end in Ontario in the 1850s, those residents of the region as well as immigrants to Ontario had to go to the United States to find new land. It was only after the 1890s when the American land frontier closed and railways had been built linking Ontario with the Canadian West



Map 2 - Physical Geography of Western Canada

that land settlement activity on a large scale resumed in Canada.

In terms of its vegetation, the prairie provinces are made up of three main regions. The plains region extends from the United States border northward to cover south-western Saskatchewan and south-eastern Alberta. It is a semi-arid region of short grass, brown soils and rolling terrain in which rainfall decreases from fourteen inches to less than seven inches annually at the centre. The short grass is insufficient to hold the soil thus resulting in breaks or coulees which extend back from the river valleys which are unsuitable for cultivation. In the arid centre of the plains sub-region the short grass is replaced by sage and cactus.

As an aid to the development of agriculture on the plains, a number of irrigation projects were undertaken beginning in 1899. The Southern Alberta Land Company, which will be dealt with in detail in Chapter Five, was one of these projects. As late as 1930, however, the farmers in the area preferred to grow spring wheat, avoiding irrigation if the rainfall was at all adequate. Over much of the irrigable area precipitation is in many years adequate for dry land farming. Irrigation, therefore, was a guarantee against drought rather than a regular aid to the majority of farmers in the area.

The parkland region, which includes the land purchased by the Western Canada Land Company, runs in a band to the north of the plains from the south east corner of Manitoba through central Saskatchewan and Alberta. It is a transitional zone between the

plains and the forest region further north, a sub-humid region with rainfall ranging from 14 to 20 inches annually. Small patches of woodlands cover the surface of this region; these woodlands become progressively larger further north. The soils of the region are black and are rich in nitrates, lime and phosphorus. The terrain, the better soil and the higher levels of moisture make the park belt particularly favourable for agriculture.

The remaining portion of the prairie provinces is covered by forests. The trees range from light scrub to substantial poplar, spruce and jack pine. The soils are poor in this region because they are deficient in essential plant foods and while at times producing satisfactory crop yields, could continue to do so only if carefully managed and built up. The forest cover and poor soils prevented rapid settlement of this area given the existence of more open land to the south.

British Columbia, by contrast to the prairie west, is a mountainous region with only 5 per cent of its land suitable for agricultural purposes while 55 per cent is covered with forest. The fruit-growing areas in the dry southern interior where irrigation systems were established and in the Okanagan Valley attracted considerable British investment. While British investment in this region will not be dealt with specifically in this thesis, it is important to note that British investment in the prairie west and British Columbia was linked through the activities of certain companies and promoters.

The Creation of an Agrarian Economy

The development of the grain economy of the prairie west and its consequences involved a number of components which included the Dominion lands policy of the Government of Canada, railway construction, urban development and the inflation in rural and urban land values.¹⁰¹

The Dominion lands policy adopted by the Canadian Government was first outlined in the Dominion Lands Act of 1871. This act provided the legal framework for the introduction of private land ownership, which had not been the case when this region was under the control of the Hudson's Bay Company. This act introduced a modified form of the American system of land survey. This system divided the land into townships and ranges thus creating blocks of land six miles square which were further subdivided into 36 sections each one mile square (See Map Three).

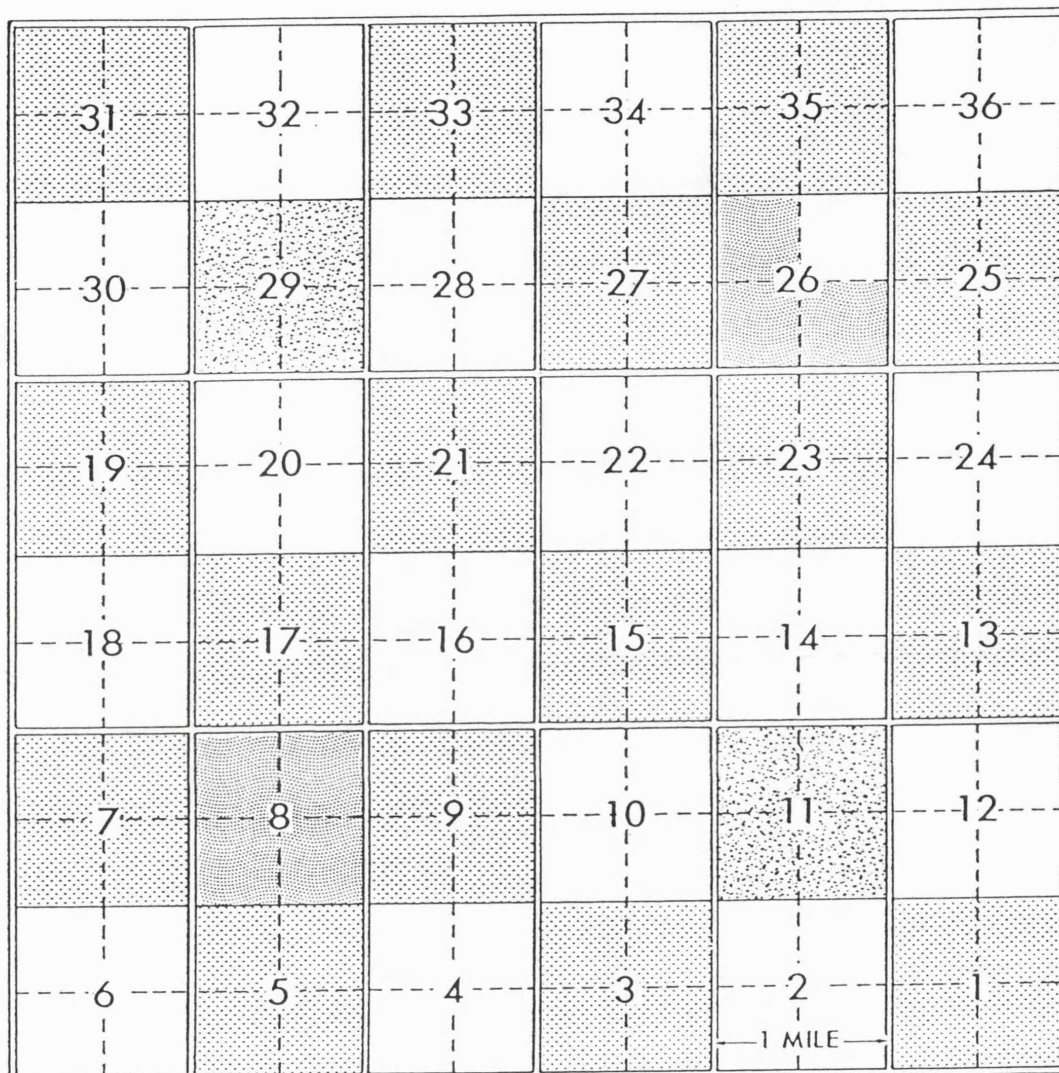
The Dominion Lands Act also defined the use which was to be made of this land. The mixing together of homestead and railway

101 The literature on the development of the western Canadian grain economy includes Capital Formation In Canada: 1896-1930 by Kenneth Buckley published in 1955, The National Policy and the Wheat Economy by Vernon C. Fowke published in 1957 and Canada in the World Economy by John A. Stovel published in 1959 specifically Chapter Nine "The Wheat Boom, 1896-1913". The more recent literature which includes The Prairies and the Pampas: Agrarian Policy in Canada and Argentina, 1880-1930 by Carl E. Solberg published in 1987 and Frontier and Development: Land, Labour and Capital on the Wheatlands of Argentina and Canada by Jeremy Adelman published in 1991 is more comparative. This emphasis on the wheat economy has given rise to the staple theory of economic growth. One of the most recent statements on the staple theory is "Staples and regions of Pax Britannica" by C.B. Schedvin in The Economic History Review Vol. XLIII, No.4.

land was a deliberate decision by the Canadian government not to give large corporations absolute control of an area. Western Canada was to be made available to both large and small scale capitalists. Sections 8 and a portion of 26 of each township were reserved for the Hudson's Bay Company under the terms of its 1869 agreement with Canadian Government. Sections 11 and 29 were reserved for the support of schools. Even numbered sections were designated for use as homestead land, another land policy brought in from the United States. The odd numbered sections were to be used as grants to railways with the exception of sections 11 and 29 which were to be used to support the development of education in the area. The introduction of regulations to govern land conveyancing also included the introduction of the Torrens system of land registration which had been developed in Australia.

By 1911 the total amount of land surveyed into sections was 143,295,555 acres. The rate at which this land was being patented or released by the Crown indicated by Table One.¹⁰² These statistics are important in the context of this study because they indicate that land was available from the Dominion Government throughout the entire period of the boom. As Cairncross observed, the supply of virgin land was an elastic

¹⁰² The term "patented" as defined in Historical Statistics of Canada means "that a deed bearing title to land has been drawn up by the Crown agency concerned . . . for Crown land that had not previously been transferred into private hands and that this deed is then transferred to a private party. Acreage patented therefore is a measure of the amount of Crown land that is alienated from the Crown for the first time." It also indicates that the Crown has a supply of land which remains to be released into the market place.



- Free homestead lands
 School lands
- Railway lands
 Hudson's Bay Company lands
 (The whole of 26 in every fifth township)

Plan of a township of thirty-six sections. Each section is one square mile (640 acres) and is bounded on three sides by a road allowance of sixty-six feet (66').

Map 3 - Township Survey Showing Distribution of Land

factor in the western Canadian land market during the boom.¹⁰³ It played this role at this time simply because the Dominion Government did not release all of the homestead land into the market at the same time. The last region of virgin land was not occupied until the 1920s when the settlement of the Peace River country took place. The continued availability of homestead land was of prime concern to the private land companies since their land would only be in demand once the cheaper land available through the homestead programme had been occupied.

The surveying and occupation of the land was followed by its cultivation. The value of wheat production increased from \$55,000,000 in 1900 to \$231,700,000 by 1913.

As western settlement progressed, rural land values also began to rise as illustrated by Tables Two and Three. As these tables indicate, western Canadian rural land values between 1896 and 1914 passed through two periods of relative stability and one period of rapid change. From 1896 to 1903 the average price per acre was \$3.34 and during the height of the investment boom between 1910 and 1913, the price of land per acre remained stable at \$13.65. During this same period the average price per acre of Canadian Pacific Railway land actually dropped from \$15.97 to \$14.20. The increase in rural land values occurred from 1904 to 1910 during which time the average price went from \$4.39 to \$13.36. This price stability during the height of the boom was one of the factors in the shift to investment in urban land which

103 Cairncross. "Investment in Canada, 1900-1913" p. 159.

Table One
Land Acreage Patented in Manitoba, Saskatchewan
and British Columbia
1895 - 1914
(Thousands of Acres)

Year	Acreage
1897	1,109.5
1898	918.1
1899	1,386.8
1900	415.2
1901	11,479.1
1902	4,797.5
1903	3,347.5
1904	3,086.9
1905	6,329.5
1906	4,517.4
1907	2,960.7
1908	6,392.5
1909	4,439.3
1910	3,961.0
1911	4,229.8
1912	3,406.1
1913	4,588.0
1914	5,436.5

Source: Historical Statistics of Canada Second Edition,
 Statistics Canada, 1983 Series L5 - L8.

Table Two

Land Sales by Land Grant Railways and the Hudson Bay Company

1896 - 1916

Year	Acres Sold	Amount Paid	Price per Acre
1897	222,225	1,119,016	3.23
1898	448,623	1,431,774	3.18
1899	462,494	1,520,892	3.28
1900	648,379	2,125,146	3.27
1901	621,027	2,088,269	3.36
1902	2,201,795	7,746,958	3.56
1903	4,229,011	14,651,757	3.46
1904	1,267,187	5,564,240	4.39
1905	990,005	5,046,572	5.09
1906	1,642,684	9,871,241	6.01
1907	1,277,759	7,697,980	6.02
1908	346,693	3,052,461	8.80
1909	99,373	1,211,885	11.08
1910	1,184,790	15,835,228	13.36
1911	1,406,651	19,122,937	13.59
1912	1,329,390	18,224,419	13.70
1913	707,149	9,867,155	13.95
1914	501,575	7,398,191	14.75
1915	192,801	3,279,022	17.01
1916	354,886	5,435,949	15.32

Source: Source: A.S. Morton and Chester Martin, History of Prairie Settlement and Dominion Lands Policy Vol. II Canadian Frontiers of Settlement Series ed. by W.A. Mackintosh and W.L.G. Joerg p. 308.

Table Three
Land Sales by the Canadian Pacific Railway Company
1896 - 1916

Year	Acres Sold	Amount Paid	Price per Acre
1897	135,681	431,095	3.18
1898	242,135	757,792	3.13
1899	261,832	814,857	3.11
1900	379,091	1,152,836	3.04
1901	339,985	1,046,665	3.07
1902	1,362,478	4,440,500	3.26
1903	2,260,722	8,472,250	3.75
1904	857,474	3,516,864	4.10
1905	411,451	2,045,800	4.97
1906	1,012,322	6,015,060	5.94
1907	851,083	4,817,682	5.66
1908	81,060	727,367	8.97
1909	29,331	383,390	13.75
1910	655,585	10,473,425	15.97
1911	715,095	10,372,661	14.44
1912	855,280	12,420,488	14.52
1913	447,158	6,348,352	14.20
1914	263,962	4,242,089	12.66
1915	151,262	2,496,872	16.51
1916	242,215	3,670,421	15.15

Source: A.S. Morton and Chester Martin, History of Prairie Settlement and Dominion Lands Policy Vol. II Canadian Frontiers of Settlement Series ed. by W.A. Mackintosh and W.L.G. Joerg p. 315.

will be discussed in subsequent chapters as it relates to the investment decisions of both the Canadian Agency and other British land companies.

Investments in Western Canadian Extractive Industries

British investment in the forest resources of British Columbia which was a sector of the Canadian economy traditionally dominated by Americans, began in 1911 with the creation of the Dominion Sawmills & Lumber Limited. This new departure for British capital in Canada was noted by The Financial Times in its review of the company's prospectus for £800,000 6 per cent First Mortgage Debentures. In an article entitled "The Call of the Woods", it observed that the creation of this company was of special interest, since it marked "the opening of a fresh campaign for embarking British capital in one of the most important and easily realised resources of the great Dominion of Canada."¹⁰⁴ The article went on to point out that not only was it a good investment but that it:

is one of considerable importance to the investor who desires to find remunerative employment for his capital and at the same time prefers to keep it, or, at any rate, a good portion of it, within the limits of the British Empire. To such persons the vast lumber resources of Canada open up a field which is probably as attractive as any that can be found under the shadow of the flag.¹⁰⁵

While the company was incorporated in British Columbia, it had a London board of directors which included the Right Hon.

¹⁰⁴ The Financial Times, 16 June 1910.

¹⁰⁵ Ibid.

Lord Desborough and Cecil Ward, a London solicitor who would figure prominently in other western Canada investments such as the Western Canada Land Company, a subject to be dealt with in greater detail in a subsequent chapter. Other British based lumber companies created during the period from 1910 to 1913 include the Canadian Western Lumber Co., Columbia River Lumber Co., Canadian Timber Investment Co. and the Anglo-Canadian Timber Co. of British Columbia.

Investment in other extractive industries included the creation of the Canadian Western Natural Gas Light Heat and Power Co. Limited and the West Canadian Collieries Limited. Both of these companies operated in southern Alberta.

Railway Construction

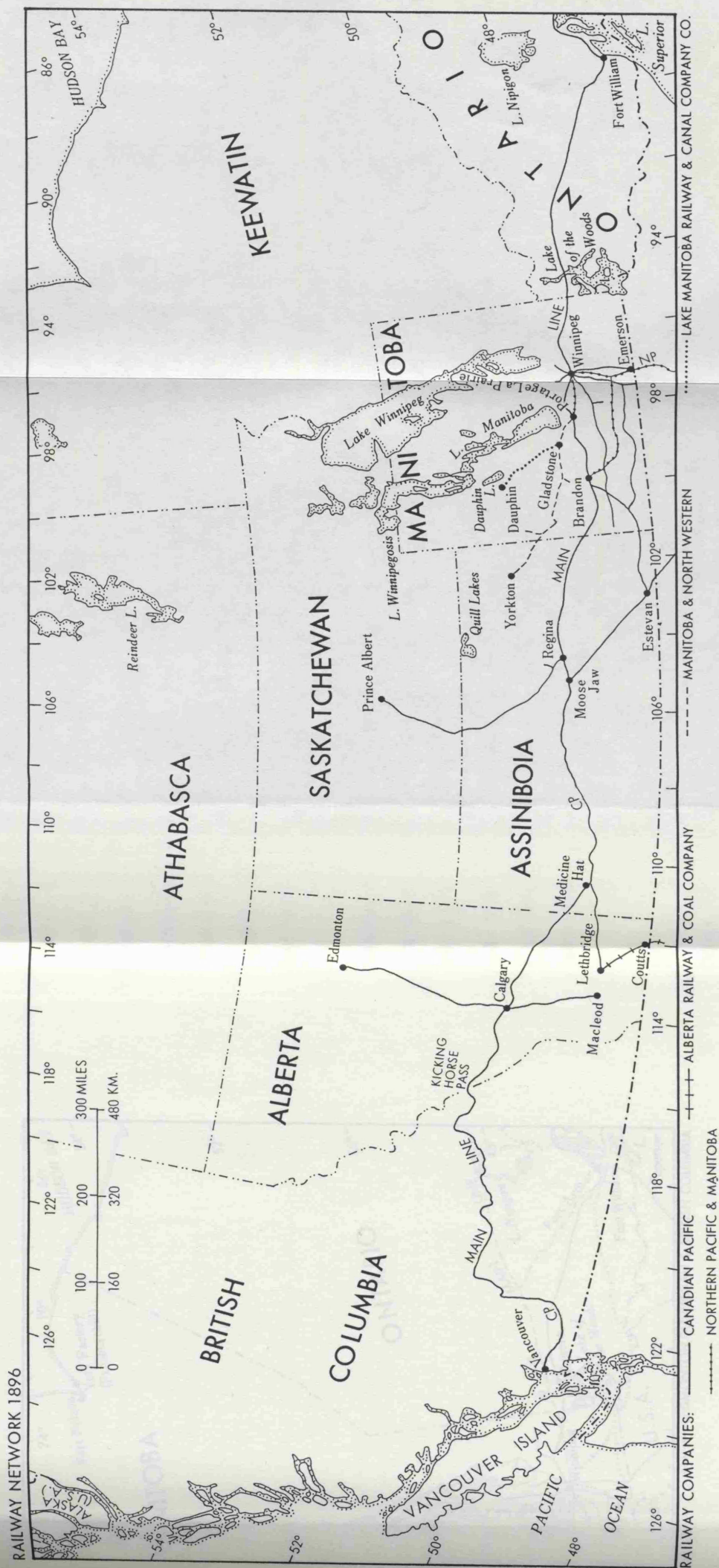
Railway construction in western Canada was initiated in 1881 with the construction of the Canadian Pacific Railway from Montreal to Vancouver. The Canadian Pacific Railway received 25,000,000 acres of land located adjacent to the railway line from Winnipeg to the British Columbia border and in a series of land reserves in northern Alberta and northern Saskatchewan. The Canadian Pacific Railway disposed of this property in various ways, one of which was to sell the land to other companies, including the Western Canada Land Company, thus creating further opportunities for British investors to play a role in western development.

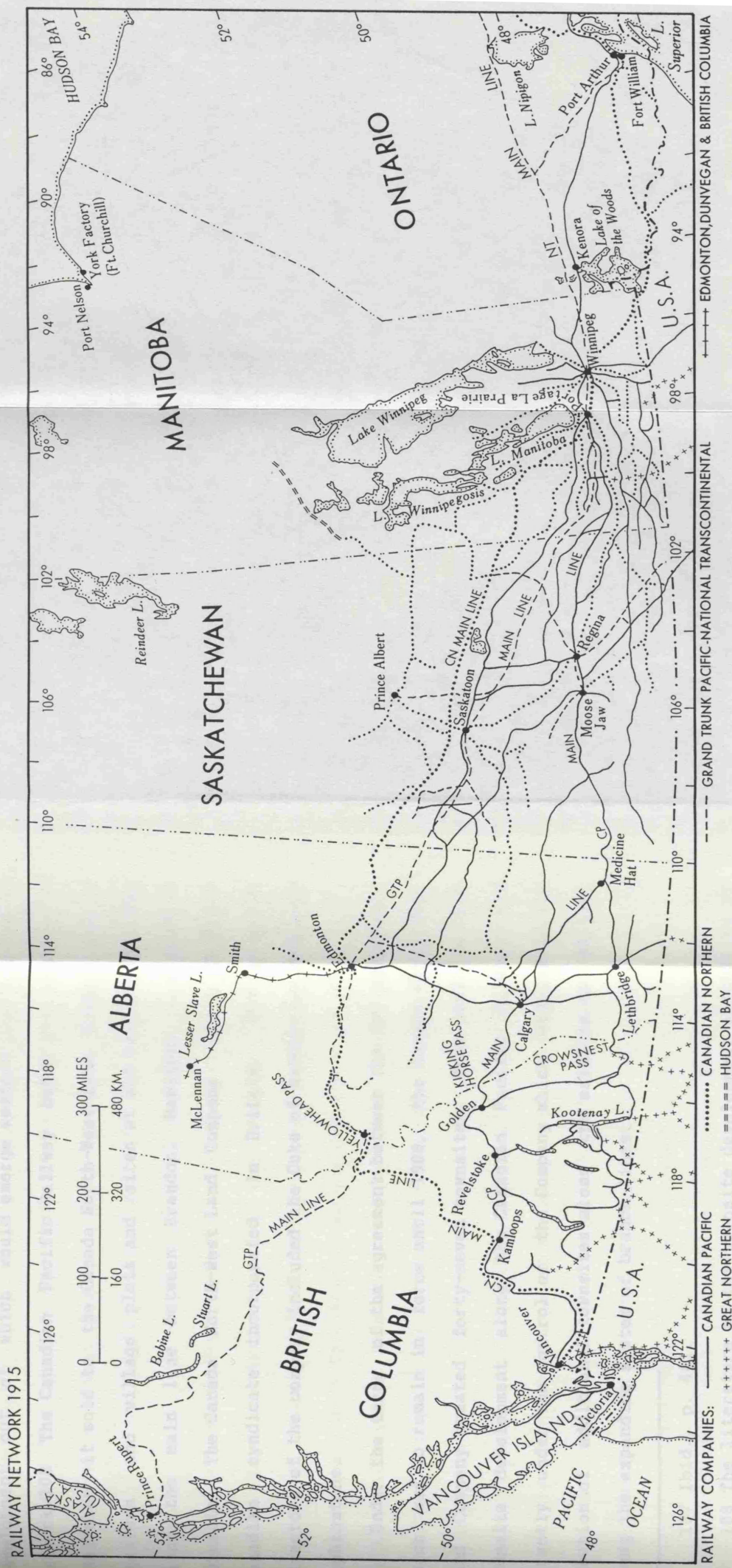
The second period of railway construction began in 1904 with the expansion of the Canadian Pacific Railway branch line network

and the construction of two additional transcontinental railways namely the Grand Trunk Pacific and the Canadian Northern Railways. The Canadian Northern Railway was incorporated in 1899 from the amalgamation of two small Manitoba branch lines. It extended its main line to Edmonton in 1905 and to Vancouver in 1916.

The Grand Trunk Pacific Railway was created in 1904 by the Grand Trunk Railway of Canada for the purpose of building a railway from Winnipeg to the Pacific coast. Its parent company, the Grand Trunk Railway, was incorporated in 1852 in England during the first railway boom in Canada for the purpose of building a railway between Toronto and Montreal. Between 1853 and 1893 the company grew into a major railway system through its amalgamation with other companies. Unlike the Canadian Northern, it built its transcontinental line in one sustained period of construction activity, completing the main line to Prince Rupert in 1914. It was financed, like the Canadian Pacific and Canadian Northern Railways, almost entirely through funds raised in London. Both the Canadian Northern and the Grand Trunk Pacific railways engaged in a program of branch line construction. Railway construction by these companies, and a few other smaller companies, reached its peak in 1913 when the railway mileage of Canada increased by 2,577 as compared to 1,327 in 1912, 699 in 1911 and 627 in 1910.¹⁰⁶ By the time Canada's second railway boom was over, the Canadian railway network had been enlarged

¹⁰⁶ Canada Year Book, 1913 p. 440.





Map 5 - Railway Construction to 1915

from 19,431 miles to 29,304 miles of track.¹⁰⁷

All three railways also engaged in programs of urban development out of which would emerge western Canada's urban network.¹⁰⁸ The Canadian Pacific Railway began the process in 1882 when it sold to the Canada North-West Land Company all of its town and village plots and sites at all railway stations along the main line between Brandon, Manitoba and British Columbia. The Canada North-West Land Company was a British-Canadian syndicate incorporated in Britain. The original directors of the company included the Duke of Manchester and Lord Elphinstone.

Under the terms of the agreement between the two companies, which was to remain in force until 1908, the Canada North-West Land Company created forty-seven townsites. From 1908 to 1914 townsite development along the Canadian Pacific Railway was directly under the control of the Company which engaged in the creation of additional townsites along the mainline as well as along the expanding system of branch lines.

¹⁰⁷ Ibid., p. 441.

¹⁰⁸ The literature on the townsite development activities of Canadian railways in western Canada includes the following: Frank Leonard, "A Thousand Blunders": The Grand Trunk Pacific Railway and Northern British Columbia, 1902-1919' (Ph.D. dissertation, York University, 1988); Frank Leonard, "Grand Trunk Pacific and the Establishment of the City of Prince George, 1911-1915", BC Studies 63 (Autumn 1984): 29-54; John C. Hudson "Towns of the Western Railroads" Great Plains Quarterly, Winter 1982, pp. 41-54; Frederick A. Talbot The Making of A Great Canadian Railway Toronto The Musson Book Company Limited 1912 Chapter XI "Towns and Cities Built to Order"; Ann Holtz "Small Town Alberta: A Geographical Study of the Development of Urban Form" M.A. University of Alberta 1987.

In terms of townsite design, the Canada North-West Land Company made use of the standard grid without any land use policy for the individual lots. Calgary and Regina are excellent examples of this approach. In 1902 the company adopted a policy of dedicating certain land for specific uses.¹⁰⁹ From 1908 to 1914 the Canadian Pacific Railway continued the development of a policy on land use which distinguished between the inside business property and the outlying residential property.¹¹⁰

The Canadian Northern Railway also adopted the practice of using other companies to handle townsite creation and sales. Mackenzie and Mann Co., which was the company constructing the actual railway line, handled the creation of the townsites with the actual sale of the property being the responsibility of Davidson and McCrea, a Winnipeg based real estate company. In 1913 MacKenzie and Mann transferred to the Canadian Northern Town Properties Limited all titles to these townsites. A total of 517 towns were established in Manitoba, Saskatchewan and Alberta along the Canadian Northern Railway system. Like the Canadian Pacific, the Canadian Northern also preferred the grid pattern.

The Grand Trunk Pacific Railway was the last of the companies to introduce a large scale urban land development scheme. Its approach was to create a subsidiary company which would give it direct control of townsite creation. The Grand

¹⁰⁹ Holtz. "Small Town Alberta: A Geographical Study of the Development of Urban Form" p. 48.

¹¹⁰ Ibid. p. 51.

Trunk Pacific and Development Co., (its name was changed in 1910 to The Grand Trunk Pacific Development Company Limited), was created in 1906 for this purpose. The Grand Trunk Pacific Railway's urban land policy made use of standard plans for the majority of its townsites with only Prince Rupert, its Pacific coast terminal, and Prince George, in the British Columbia interior, receiving any special attention. It was only after the creation of the townsites and disappointing sales that the company made arrangements with real estate companies to sell its property. For example, Canadian Estates Limited which had been incorporated in England and which had its office in the Grand Trunk Building on Cockspur Street in London was the sole agent in Britain and Europe for Grand Trunk Pacific townsite properties.

Since the railway was the catalyst to future economic growth, other land promoters followed their activities engaging in the creation of further subdivisions on a grand scale at all of the major townsites established by the railway companies.¹¹¹ The preferred location for the creation of additional subdivisions was those townsites that had been established as terminals in the railway network for the purpose of housing train crews and where equipment was serviced. As will be demonstrated in a subsequent chapter, however, it occurred also as a result of the participation of a number of

¹¹¹ For a description of the extent to which pre-mature subdivision and land speculation was a national phenomena which stretched from Montreal to Vancouver see the Canadian Annual Review, 1913 pp. 35-41.

representatives from the local business communities. The reaction in London to the creation of these subdivisions has already been discussed in Chapter One.

The creation and promotion of these subdivisions was the most important indication of the pre-occupation of western Canadians with real estate. This pre-occupation was commented upon in many travel accounts of this era.¹¹² One such observer was Wilhelm Cohnstaedt who noted that:

A country in the process of being settled is, of course, overrun by real estate agents and land speculators. In the Canadian West more or less everybody speculates in land. When you ask in the various places how people have made their fortunes, you learn with surprising regularity that the medium-sized fortunes have been acquired by cultivating the soil, the very big ones through speculation and trading in land. Even in the case of substantial merchants and manufacturers, as far as they exist, people usually say that they became rich because of their knack with real estate either urban or rural.¹¹³

The combined effect of three transcontinental railway companies and a large number of land speculators moving in unison with them, all engaged in the process of creating urban land, led to an explosion in the number of subdivisions being created between 1905 and 1913. In the case of Saskatoon, sixty-two

¹¹² Other travel accounts which document this pre-occupation with land speculation include Land of Open Doors by J. Burgon Bickersteth and Canada The Land of Opportunity by F.W. Freir which contains chapters dealing with "Speculation in Real Estate" and "The Future of Subdivisions".

¹¹³ Klaus H. Burmeister, ed., Western Canada 1909, Travel Letters by Wilhelm Cohnstaedt (Regina: Canadian Plains Research Centre, 1976), p. 27.

subdivisions were created between 1910 and 1912.¹¹⁴ In the case of Edmonton, only five subdivisions were created until 1902. Between 1903 and 1914 over 100 additional subdivisions were registered, creating 40,701 lots, as compared to 858 lots for the previous period (See maps six and seven).¹¹⁵ The most phenomenal growth of premature subdivisions occurred at Winnipeg where 1,100 were created between 1900 and 1914.¹¹⁶

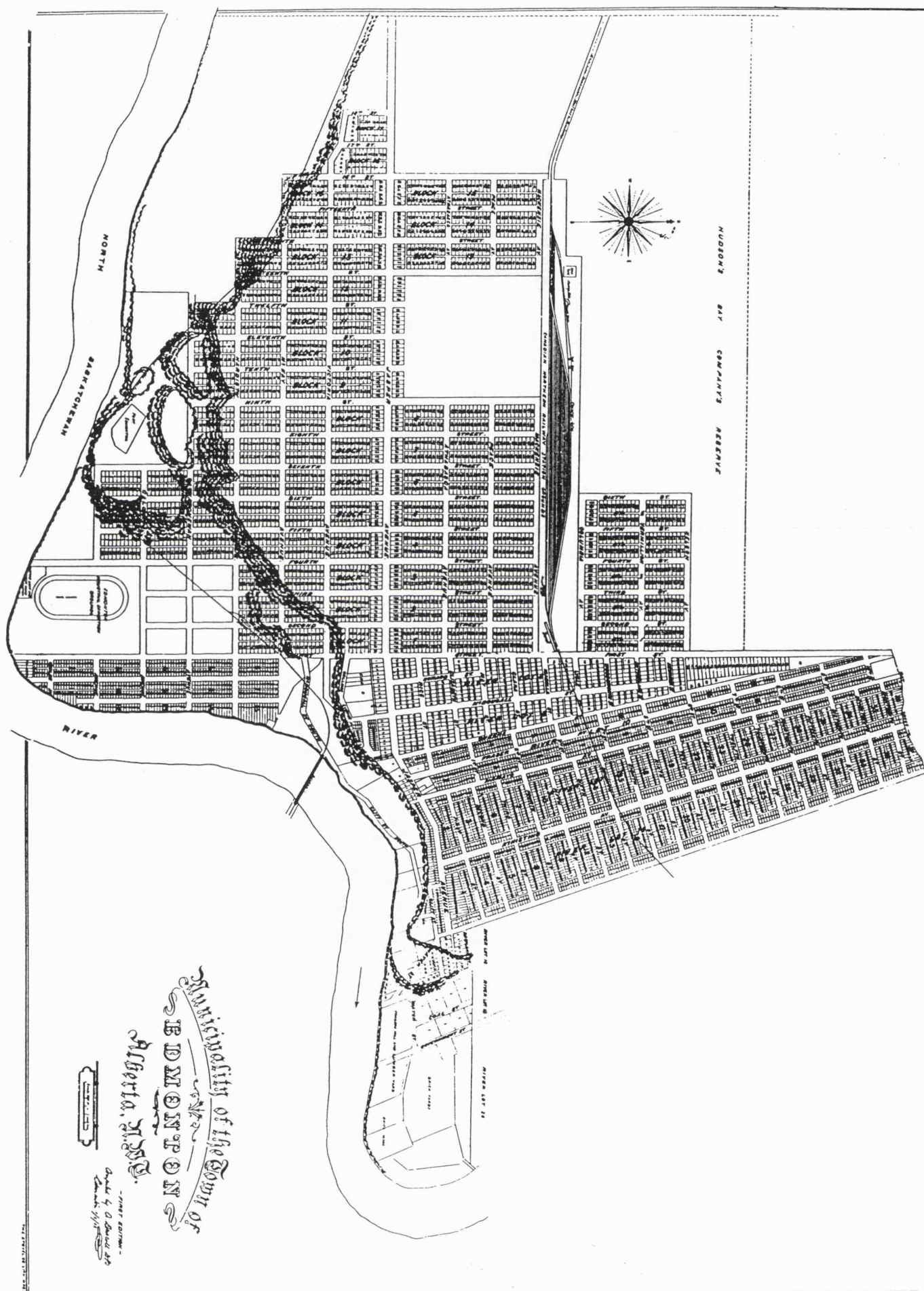
Closely associated with the promotion of urban land, was the practice of 'boosterism', which can be distinguished from the normal process of promoting the economic development of a country, province or city by the fact that it provides misinformation about the community concerned, such as inaccurate population, statistics as with the case of Saskatoon.

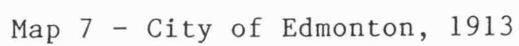
In addition to financing the railway which established western Canada's urban network, the British investor also provided the funds for the construction of these towns. Between 1907 and 1914 cities in Manitoba, Saskatchewan and Alberta

114 R. Rees, "The Magic City on the Banks of the Saskatchewan, The Saskatoon Real Estate Boom 1910-1913" Saskatchewan History Vol. XXVII No.2; D.C. Kerr, "Saskatoon 1905-1913: Ideology of the Boomtime" Saskatchewan History Vol. XXXII. No 1.

115 John Gilpin, "The Land Development Process in Edmonton, Alberta, 1881-1917" in Power and Place: Canadian Urban Development in the North American Context edited by Gilbert A. Stelter and Alan F.J. Artibise. Vancouver University of British Columbia Press, 1986.

116 H. John Selwood, "Invisible Landscape: Premature Urban subdivision in the Winnipeg Region" Regina Geographical Studies No. 4, 1984; Landscape Development and Boundary Influences in the Canadian Prairie.





Map 7 - City of Edmonton, 1913

borrowed £18,002,634 in London.¹¹⁷

British Investment and the Development of Central Canada

Central Canada during the Canadian boom also witnessed the growth of cities and the expansion of the transportation networks which was funded in part by British investment. In contrast to the west, however, central Canada received a higher degree of British investment in the industrial sector of its economy. The companies in this group included Canadian Cottons which was incorporated in Canada in 1892 as the Canadian Coloured Cotton Mills Company Limited. The name of the company was changed in August 1910 to Canadian Cottons Limited and at the same time the capital of the company was increased to provide for the acquisition of the Gibson Cotton Mill situated at Marysville, New Brunswick and the Mount Royal Spinning Company whose mill was located at St. Paul, a suburb of Montreal. In April 1911 it issued £376,000 5% 1st and Refunding Mortgage Bonds in London to cover its expansion program.

Immigration and Foreign Trade

Immigration was a second leading indicator of the Canadian boom as illustrated by Table Four. The record of 400,870 immigrants in 1913 has never been surpassed in the entire history of Canada. In addition to the increase in the number of immigrants, their countries of origin also changed significantly with immigration from the United Kingdom declining and immigration from southern and eastern Europe increasing. This

¹¹⁷ Stock Exchange Year-Book, 1915.

trend occurred in spite of the racial bias of Canadian immigration policy which viewed northern Europeans as being better than southern Europeans.¹¹⁸ This shift in immigration was a product of the industrialisation and urbanisation of the United Kingdom which had resulted in the elimination of a surplus population of agricultural workers. It also occurred because of the need of the Canadian railway companies for a cheap supply of unskilled labour. Only 15.6 per cent of the British immigrants who arrived between 1904 and 1911 were in the category of unskilled, compared to 51.5 per cent of the continental European immigrants who arrived during the same period. Those British immigrants who did serve as railway construction workers also proved very troublesome.¹¹⁹ Canadian railways may have been built using British capital but not with British labour.

In terms of its economic impact, immigration increased the labour supply and also made a contribution to the economy in terms of the capital goods and actual cash which the settlers brought into the country. The contribution made by individual settlers was estimated by Viner at \$500 per capita for farmers and farm labourers from the United States as well as for

118 Anthony Sutcliffe "Urban History in a World-Economy Perspective: Aspects of British and Canadian Labour in the Later Nineteenth Century" Zeitschrift der Gesellschaft für Kanada-Studien. No. 2 1984. pp. 85-98

119 Donald Avery "Canadian Immigration Policy and the Foreign Navy, 1896-1914" Canadian Historical Association Historical Papers (1972), pp. 135-56.

Table Four
Immigrant Arrivals in Canada
1895 - 1915

Date	Number
1895	18,790
1896	16,835
1897	21,716
1898	31,900
1899	44,543
1900	41,681
1901	55,747
1902	89,102
1903	138,660
1904	131,252
1905	141,465
1906	211,653
1907	272,409
1908	143,326
1909	173,694
1910	286,839
1911	331,288
1912	375,756
1913	400,870
1914	150,484
1915	36,665

Source: Historical Statistics of Canada, Second Edition,
 Statistics Canada 1983. Series A350.

saloon passengers who arrived principally from Britain. Other immigrants from the United States as well as steerage passengers from Britain brought in an estimated \$100 while steerage passengers from continental Europe brought in \$25.¹²⁰

These immigration statistics are also important because of the role they played in triggering other investment decisions. These were generally quoted in the prospectus of the land companies as indicators of growth even if the companies concerned did not know what their real economic impact would be in terms of the demand for land.

The development of foreign trade is dealt with in Tables Five to Eight. The significant trends are the increase in the volume of external trade which went from \$381,517,236 in 1900 to \$1,129,744,725 in 1914. The increase in Canadian foreign trade was achieved, however, through excessive imports from the United States thus creating an unfavourable trade balance which peaked in 1913 at \$294,000,000. The unfavourable balance of trade was partially compensated for by the terms of trade for Canada's agricultural commodities.

The Canadian boom had created a narrowly based economy which was being driven by the export of primary products, particularly agricultural commodities, the rise in agricultural

¹²⁰ Jacob Viner, "Canada's Balance of International Indebtedness, 1900-1913", Harvard Economic Studies XXVI, Cambridge, Mass., 1924. p. 44.

Table Five
Canadian Foreign Trade
1897 - 1914

(Millions of Dollars)

Year	Exports	Imports	Balance
1897	134	107	+28
1898	160	126	+33
1899	155	149	+5
1900	183	173	+11
1901	195	178	+17
1902	210	197	+13
1903	225	225	-
1904	211	244	-33
1905	201	252	-50
1906	247	284	-37
1907	192	250	-58
1908	263	353	-89
1909	260	289	-27
1910	299	370	-72
1911	290	453	-163
1912	308	522	-215
1913	377	671	-294
1914	455	619	-164
1915	461	456	+5
1916	779	508	+271

Source: Historical Statistics of Canada, Second Edition,
 Statistics Canada, Series G381-385.

Table Six
Canadian Terms of Trade

1896 - 1913

1900 = 100

1896	105.9
1897	108.5
1898	109.2
1899	106.5
1900	100.0
1901	101.5
1902	106.4
1903	106.8
1904	105.3
1905	102.5
1906	105.3
1907	104.1
1908	106.2
1909	113.7
1910	114.2
1911	111.9
1912	112.6
1913	111.4

Table Seven

Foreign Trade - Exports to U.K., U.S. and Other Countries

1886 - 1916

(Millions of Dollars)

Year	U.K	U.S.A.	Other Countries
1886	37	34	7
1891	43	38	8
1896	63	38	9
1901	93	68	17
1906	127	84	25
1911	132	104	38
1916	452	201	89

Table Eight

Foreign Trade - Imports from U.K., U.S. and Other Countries

1886 - 1916

(Millions of Dollars)

Year	U.K	U.S.A.	Other Countries
1886	39	43	14
1891	42	52	17
1896	33	54	19
1901	43	107	28
1906	69	169	46
1911	110	276	67
1916	77	371	60

prices all over the world, foreign investment and immigration.¹²¹ As Cairncross points out:

Even in the short period agriculture exercised a powerful influence alike on domestic purchasing power, borrowings abroad, and credit policy. A good harvest made it easy and profitable to borrow abroad while the banks were less exacting in granting advances, and had larger reserves out of which to lend. A harvest failure left people poorer and without the money or inclination to make capital extensions, while the banks, finding their reserves depleted because of an unfavourable balance of payments, pursued a policy of caution.¹²²

Given this analysis, Cairncross points out that the excellent harvests of 1901 and 1902 increased exports and investment in those years and in 1903. The disappointing harvests of 1903 and 1904 brought about a minor recession in business which lasted until the beginning of 1905. In 1906 and 1907 harvests were poor and investment fell off. The succeeding years, with the exception of 1910, resulted in good harvests and the resulting increase in investment.¹²³ The banks through their ability to control credit thus served as the link between the health of Canadian grain exports and the rate of economic expansion at home. Cairncross thus argues that the change in the terms of trade in Canada's favour was the catalyst for the main burst of investment.¹²⁴

¹²¹ ¹²¹ A.K Cairncross, "Investment in Canada, 1900-1913." pp. 159-160.

¹²² Ibid., p. 168.

¹²³ Ibid., p. 168.

¹²⁴ Ibid.

The link between grain and British investment in Canada is further illustrated by the fact that information on crop conditions was the most vital economic data to be received in London from Canada. Crop conditions were a frequent topic of public pronouncements from the Canadian High Commissioner and were reported and discussed in detail in the leading financial journals of the day such as The Economist, The Times and The Financial Times.

The Canadian boom from 1896 to 1913 thus represents the most important period of sustained economic expansion in the history of Canada up to the post-Second World War period. It was the product of a unique set of circumstances which involved the rapid expansion of economic opportunities in Canada for the employment of capital and labour, strenuous efforts by Canada to attract capital and labour, and Britain's willingness to provide both labour and capital, with labour declining in significance and with capital increasing in significance as the climax of the boom in 1913 was approached. As the forgoing analysis indicates, this period of progress also had a number of problems since it was based on foreign capital which could be redirected at any time, an imbalance of trade, declining productivity of the foreign capital that was being invested, inflation and over investment in certain sectors of the economy such as railways. All of these consequences could only be justified if real growth in the Canadian economy took place.

Despite the popularity of the Empire, the efforts at

Imperial Federation and the rejection of reciprocity with the United States in 1911, the Canadian boom was not an era of dominance for the British in the Canadian economy. Canada in fact was being integrated into a continental economy using British capital to accelerate the process, since it was earnings from the increased exports to Britain and British capital invested in Canada which was paying for the high level of imports from the United States. Thus the high level of British investment in Canada was not indicative of the overall healthy economic relationship between the two countries. The declining volume of exports to Canada from Britain, compared with the United States, and the growing fear that British investments in Canada were at risk as a result of the wrong economic policies was not the basis for a healthy economic relationship between the two countries.

Chapter Four

Social Context of the Canadian Investment Boom

Chapters One, Two and Three have focused primarily on the economic context within which the Canadian Agency and other British land companies operated during the Canadian investment boom of 1905 to 1913. In describing British investment in general, and the Canadian boom in particular, reference has also been made to the social context of this event, namely the importance of the aristocracy in this flow of capital. The purpose of Chapter Four will be to expand on this theme with particular reference to one particular aristocrat, the 4th Earl Grey, and to one particular aristocratic family, the Grenfells, who were directly involved in the operation of the Canadian Agency. This chapter will thus make the transition from the contextual background for this thesis to the Canadian Agency and the specific people and events relating to its development, as well as to the other British land companies which are part of this study.

The Fourth Earl Grey

The only detailed assessment of Albert Henry George Grey's character and career prepared by one of his contemporaries is Albert Fourth Earl Grey: The Last Work by Harold Begbie, published in 1917 following Grey's death. Begbie undertook the preparation this volume at Grey's request in order:

to deliver the message to his fellow-citizens which Lord Grey entrusted [to him] in the last days of his life, being himself in too great physical weakness

to shape it in either spoken or written words. .
..125

While being a tribute to Grey, Begbie does make a critical assessment of his career.

Begbie saw Grey's life as a contrast between his great popularity and very strenuous efforts to improve British society in various fields, and his relative lack of success in achieving any results. In Begbie's words "somehow or another, in spite of his great activity, this remarkable personality, which created friends for him wherever he went, failed to make its total effect on the world."¹²⁶ Begbie's explanation of how this came about is that:

Albert Grey, with all his brilliance and beauty and longing of spirit, which drew about him a host of people ready to make great sacrifices for him, remained to the last rather an illumination and inspiration for others than a leader of men or a creator of new worlds.¹²⁷

Grey was "so prolific a genius of ideas, fancies, and imaginations that he could not narrow his sympathies and bridle his inspiration to the needs of what we call practical politics."¹²⁸ His failure to direct his energies towards a limited number of objectives was attributed by Begbie to the fact that:

¹²⁵ Harold Begbie Albert Fourth Earl Grey: A Last Word (Hodder and Stoughton; London, 1917). p. 17.

¹²⁶ Ibid., p. 18.

¹²⁷ Ibid., p. 19.

¹²⁸ Ibid., p. 20.

he had in him a partial seriousness, a fine and a high seriousness, but by no means a seriousness which commanded his whole soul. There was a gaiety in his mind, a happiness in his heart, and a continual outbreak of laughter in his spirit, which while they made him the most lovable and delightful of men, prevented his feet from following that bitter road of utmost self-sacrifice which alone leads to authentic dominion over men's minds.¹²⁹

Begbie does not pursue this critique in any detail preferring in the end to emphasize Grey's great integrity as a man who was "always on the side of the angels, always a man of honour, always a man of principle, . . . always clean - minded."¹³⁰

Begbie's analysis of Grey is largely supported by his other contemporaries who included school friends and business associates. Colonel Alexander Weston Jarvis, Grey's fag at Harrow and the business partner of Sir John Willoughby, had feelings for Grey which fell a "little short of worship".¹³¹ Lord Milner, said of Grey that "he had a record of public service of which any man might be proud, but it is entirely dwarfed by his personality".¹³² Sir Starr Jameson indicated to Begbie that no man "had more babies than Albert Grey, but he was always leaving them on the doorsteps of his friends - he simply hadn't the time to bring them up himself".¹³³ Jameson further testified to

¹²⁹ Ibid., p. 20.

¹³⁰ Ibid., p. 31.

¹³¹ Ibid., p. 28.

¹³² Moreton Frewen, Melton Mowbray and Other Memories (London: Herbert Jenkins Limited, 1924), p. 34.

¹³³ Begbie, Albert Fourth Earl Grey: A Last Word, p. 22.

Grey's ability to inspire devotion, but not necessarily demonstrate leadership by stating further that "we loved the man so much that we very often supported some of his more decorative ideas in which we had no faith at all, rather than damp his ardour or hurt his feelings".¹³⁴ Jameson also described him as "a nice old lady, but not a genius, who does not like committing himself to any opinion".¹³⁵

Moreton Frewen, a fellow student of Grey's at Cambridge who would later become one of his business associates, credited him with having "good looks, a contagious enthusiasm, a real, not a simulated, love of his fellows which connoted willing service with a high standard of duty and that gentlest of all accomplishments, namely a perfect temper".¹³⁶ These assets, however, were compromised in Frewen's view by Grey's lack of an equally good intellect. In Frewen's view:

lacking quite the highest order of mind, perhaps lacked discrimination, and his affection for the whole mass of struggling humanity - his desire to "lend a hand" too often negated his critical faculty and thus wasted much of his time on indifferent selections.¹³⁷

Historical assessments of Grey have been made by John S. Galbraith, in his study of the British South Africa Company,

¹³⁴ Ibid., p. 23.

¹³⁵ George H. Tanser, A Scantling of Time (Salisbury: Stuart Manning, 1965.), p. 128.

¹³⁶ Frewen, Melton Mowbray and Other Memories, p. 35.

¹³⁷ Ibid.

which indicated that he was conscientious, honest but weak.¹³⁸ George Tanser in his history of Salisbury also tends to dwell on Grey's deficiencies as a leader and the frustrations caused in the settlement as a result.

A more detailed analysis of his role in Rhodesia has been provided by Graham Sims whose assessment is consistent with the opinions of Begbie and others, noted above, to the extent that he sees Grey as a 'man of honour, honesty and above all of varied and cosmopolitan interests, the extent of which was limited only by the somewhat vague and impractical nature of his ideas'.¹³⁹ Sims, however, does not see Grey as a weak individual who was manipulated by Rhodes in his efforts to promote the British South Africa Company. Grey's view on imperialism, Sims argues, 'made him sympathetic from the outset to the plans of Cecil Rhodes'.¹⁴⁰

Elizabeth Hallet, in her thesis on the role of Grey as Governor-General of Canada, relies to a large extent on Begbie. She notes that, when Grey became Governor-General of Canada, he broke with his Rhodesian past and became a willing participant in Canada's march to nationhood under the direction of Prime Minister Sir Wilfred Laurier.

¹³⁸ John S. Galbraith, Crown and Charter: The Early Years of the British South Africa Company (Berkeley: University of California Press, 1975), p. 116.

¹³⁹ Graham Sims, "Paladin of Empire: Earl Grey and Rhodesia" The Central Africa Historical Association, Local Series 26. p. 3.

¹⁴⁰ Ibid., p. 4.

Grey's career is, therefore, concerned with a number of issues which he pursued initially within Britain and then, after 1889, within the Empire, beginning with the British South Africa Company, followed by his role as Governor-General of Canada. One of the reform movements which reflects this progression was in the promotion and implementation of the ideas on the future development of British cities proposed by Ebenezer Howard. Grey's interest in the garden city movement derived from his worries about Britain's 'urban crisis'.¹⁴¹ In regard to the 'urban crisis' he noted that English cities had grown in such a way that they had "become the very cancers of our body politic, and that they [were] sapping the strength and poisoning the character of the nation".¹⁴² In his view the reason why urban life posed such a threat was that cities were playing a major role in influencing the physique and character of the nations youth who lacked an "organized influence to mould them into honest citizenship at the age at which their characters are most impressionable. . .".¹⁴³ Urban communities were smoke-enveloped and air-exhausted and were made up of "streets upon streets of sunless slum, with nothing to relieve their squalid

141 Anthony Sutcliffe. "In Search of the Urban Variable, Britain in the Later Nineteenth Century," in The Pursuit of Urban History, ed. Derek Fraser and Anthony Sutcliffe (London: Edward Arnold, 1983), pp. 234-263.

142 Quoted in A.R. Sennet. Garden Cities In Theory And Practice. Vol. I. (London: Bemrose and Sons Limited, 1905), pp. 19-20.

143 Ibid.

and depressing monotony".¹⁴⁴ Other dangers of the urban environment were the lack of "recreation beyond that which is supplied by low music-halls and still lower public-houses".¹⁴⁵

Grey warned that:

unless some effective steps are taken to counteract their influence on the character and temperament and physique of our people, the manhood of our nation must deteriorate, and we shall not be able to retain our present leading position in the world.¹⁴⁶

When Grey read Ebenezer Howard's book in 1898 he was "thrilled with hope and pleasure as he visited for a few hours the delightful realm of his utopia."¹⁴⁷ Grey's conversion to the ideas of Howard led him to join the Garden City Association and to him being featured at the 1901 garden city conference in Bournville. He promoted the idea in South Africa and Canada.¹⁴⁸

Grey's interest in the Empire, which dominated his life after 1889, began during his years as a student in Trinity College, Cambridge. In adult life the catalyst for Grey's interest in the Empire was William Thomas Stead who at the time

¹⁴⁴ Ibid.

¹⁴⁵ Ibid.

¹⁴⁶ Ibid.

¹⁴⁷ Ibid.

¹⁴⁸ For a discussion of the success of the Garden City Association in attracting the involvement of prominent citizens like Grey see Anthony Sutcliffe "From town-country to town planning: changing priorities in the British Garden city movement, 1899-1914" Planning Perspectives Vol. 3 No. 3 September 1990. pp. 257-269.

that Grey first met him was the editor of a small newspaper at Darlington. Stead later became editor of the Pall Mall Gazette. Through his acquaintance with Stead, Grey was introduced to Cecil Rhodes, who in later years impressed him more than any man that he had known.

Grey's association with British policy in Africa began when he became a member of the South Africa Committee which included his uncle, the third Earl Grey, Joseph Chamberlain, Sir Thomas Fowell Buxton and other men of prominence. This committee was initially hostile to Rhodes' proposal. After expressing concern about the actions of the company he joined the Board in 1889. "Grey was highly susceptible to the spell of Rhodes, and he became a votary. His well-known integrity thus became an immense asset to Rhodes without any corresponding obligation on Rhodes's part to adhere to Grey's standards."¹⁴⁹ By co-operating with Rhodes, Grey accepted the view that British businessmen abroad were instruments of British foreign policy. Once he was won over, Grey became a very active director promoting the Company's cause in London with all the enthusiasm of which he was capable. His wide contacts and his reputation for absolute integrity were of inestimable value to the Company and to Rhodes. He was frequently the contact between Rhodes and Chamberlain.

Following the Jameson raid, the relationship between the

¹⁴⁹ John S. Galbraith, Crown and Charter: The Early Years of the British South Africa Company, p. 116; See also J.G. Lockhart and C.M. Woodhouse, Cecil Rhodes: The Colossus of Southern Africa (New York: The Macmillan Company, 1963), p. 165.

Company and Grey was changed. After the Jameson raid, Grey was chosen by his fellow directors and with the approval of the government to succeed Dr. Starr Jameson as administrator of Rhodesia. His reputation was once again used to prop up the fortunes of the company. He was therefore conveniently absent from England when the inquiry into the raid took place. Although he was frequently mentioned in the course of the inquiry as a major figure in the Company's activities in London, no one suggested that he could be recalled to testify. Grey was evidently persuaded to remain quiet on the grounds that revelation of Colonial office complicity would only harm the British government and the Empire in the eyes of the world.¹⁵⁰ Grey was prepared to sustain the facade of a Company engaged in the noble task of Britain bringing civilisation to central Africa while other people around him were exploiting the situation for their own self-interest.

Grey arrived in Rhodesia at the beginning of May 1896, just after the Mashona rebellion began. He had to deal with the rebellion until the arrival of Rhodes in June. Grey took his responsibilities very seriously, riding on one occasion with the troops when they attacked a kraal to subdue a recalcitrant chief.

¹⁵⁰ Mary Elizabeth Hallet, "The 4th Earl Grey as Governor-General of Canada, 1904-1911" (Ph.D. dissertation, University of London, 1970), p. 12. For a further discussion of this issue see Ethel Drus, "The Question of Imperial Complicity in the Jameson Raid", English Historical Review, October, 1953, pp. 582-593; Ethel Drus, "A Report on the Papers of Joseph Chamberlain Relating to the Jameson Raid and the Inquiry", Bulletin of Historical Research, XXV, 53.

In his official report of the Matabele-Mashona uprisings to the Company directors, Grey placed no blame for the native unrest on the Company's administration but explained the rebellion "as an inevitable result of white settlement - a last struggle of a people who stubbornly but naturally resisted what was good for them, white civilization."¹⁵¹

On his return to England in July 1897, Grey continued his work as a director of the Company, using all his influence to ensure continuation of the charter. Grey also served as a director of the Charter Trust and Agency Limited and the African Transcontinental Telegraph Company. The former company was registered January 30 1902, to carry on a trust and agency business in association with the British South Africa Company which had appointed it as its agent for certain purposes on commission for a period of twenty years. The latter company had been created in 1892 to build a telegraph from Cape Town to Cairo.

The Grenfell Family

The Grenfell family, who are a more recent addition to the British aristocracy, was established in England in the early eighteenth century by Pascoe Grenfell who settled as merchant in Penzance.¹⁵² The family's rise to prominence was initiated by

¹⁵¹ Hallet, "The 4th Earl Grey as Governor-General of Canada, 1904-1911" p. 13.

¹⁵² Peter Townend, ed., Burke's Genealogical and Heraldic History of the Peerage Baronetage and Knightage (London: Burke's Peerage Limited, 1967), pp. 1098-1100; Entries for Pascoe Grenfell (1761-1838), John Pascoe Grenfell (1800-1869), William

Pascoe Grenfell, grandson of the original Pascoe Grenfell.¹⁵³ He was able to achieve this result by virtue of his association with Thomas Williams the copper king of Cornwall and South Wales for whom he became chief assistant and later colleague in Williams's London office. He was the founder of the Grenfell industrial interests in South Wales which included a copper smelter in Swansea.

Pascoe Grenfell also purchased Taplow Court, a country estate of 3,000 acres in Buckinghamshire, which was the necessary pre-requisite for the entry of the family into the aristocracy. In 1802 upon the death of Thomas Williams, Pascoe Grenfell succeeded him as the member of parliament for Great Marlow, a constituency in Buckinghamshire which he continued to hold until 1820. From 1820 to 1826 he represented Penryn constituency in Cornwall. While in Parliament, he took an interest in such issues as slavery and the Bank of England, and was regarded as a great authority on finance. He also broadened his business activities beyond the west country metal trade by serving as the governor of the Royal Exchange Insurance Company.

Subsequent generations of the family added to its importance

Henry Grenfell, Baron Desborough (1855-1945), Edward Charles Grenfell (1870-1941) and Francis William Grenfell, first Baron Grenfell (1841-1925) are to be found in the Dictionary of National Biography. Additional biographical information on Lord Grenfell is to be found in his published memoirs and in The Times, 28 January 1925.

¹⁵³ Y. Cassis. "Bankers in English Society in the Late Nineteenth Century". Economic History Review Second series, Volume XXXVIII, No. 2, (May 1985): 210-229.

through their distinguished careers in a wide range of economic, social, military and political activities as well as through marriages. This group included Edward Charles Grenfell (1870-1941), Lord St. Just, whose rise to prominence in the Anglo-American banking establishment began in 1892 when he joined Brown, Shipley & Company, the London branch of the Anglo-American merchant bank, Brown Bros. Brown, Shipley & Company specialised in acceptance credits for American customers of Brown Bros. in New York. In 1900 he became London manager of the Anglo-American banking firm of J.S. Morgan & Co, He became a partner in 1904 and remained the senior partner until his death in 1941. Following the death of Morgan in 1909 the firm was remained Morgan, Grenfell & Co.

The military tradition in the Grenfell family was exemplified by Field Marshall Lord Grenfell. Lord Grenfell's military career, which would initiate the family's long association with Africa, began in August 1859 when he purchased a commission as ensign in the 60th Foot (later to become the Kings Royal Rifle Corps) which was stationed in South Africa. In 1874 he became A.D.C. to Sir Arthur Cuninghame commanding officer of the British troops stationed in South Africa. This appointment combined with the expansion of British power in South Africa and in Egypt led to his rapid rise within the army.

From 1875 until 1881 he participated in a sequence of minor campaigns which included the suppression of an insurrection in Griqualand West which had been annexed 1871, the 1878 Kaffir War,

the 1879 Zulu War, and the 1881 campaign against the Boers. Upon his return to England in 1882 he was selected to be part of Sir Garnet Wolseley's expedition to Egypt. He remained in Egypt until 1892 during which time he served in the Gordon Relief Expedition of 1884-1885 and as the Sirdar of the Egyptian Army from 1885 to 1892. On the death of the Khedive Tewfik in 1892, he resigned the Sirdarship and returned to England where was appointed deputy-adjutant general for reserve forces at the War Office. In 1897 he returned to Egypt to command the British garrison. During his second period in Egypt he played an important role in Kitchener's expedition to re-conquer the Sudan. Grenfell performed his accustomed role as an administrator, thus contributing to the ultimate success of the expedition at the battle of Omdurman on 2 September 1898. In addition to his military role in Egypt, he was also on the Board of Directors of the Bank of Egypt.

On January 1 1899, he was appointed Governor and Commander-in-Chief of Malta, a post which he held until 1903. While in Malta he was raised to the peerage, taking the title of Lord Grenfell of Kilvey, County Glamorgan. He completed his military career by serving as the commander of the Fourth Army Corps and as commander-in-chief in Ireland from 1904 to 1908.

The significance of the military careers of the Grenfells in general, and Lord Grenfell in particular, is that it created a network of friends who would re-appear as company officials and shareholders in the Canadian Agency and its various associated companies. The most obvious link between this military network

and Arthur Morton Grenfell's business career was Major General Sir Ronald Bertram Lane who served as the chairman of the board of the Western Canada and Southern Alberta Land companies and was a fellow soldier of Lord Grenfell. Their association dated back to the Zulu War of 1879, when Grenfell was on the staff of General Lord Chelmsford and Lane was A.D.C. to General Sir E. Newdigate. After the Zulu Campaign Lord Grenfell and Lane served together in the 1881 Boer campaign and in Egypt. Lane also served under him during his second tour in Egypt and in Malta, and with him for different periods at the War Office.¹⁵⁴

The immediate family of Arthur Morton Grenfell also made a contribution to the family tradition. Arthur's father was a member of the Anglo-America banking firm of Morton, Rose & Co. All of Arthur's brothers were either full time professional soldiers or members of the reserve who participated in the expansion of British power in South Africa and Egypt. Two of Arthur's brothers pursued careers in the City-Cecil Grenfell became a member of the firm of Govett Sons Co. while Riversdale (Rivy) Nonus was at one time a partner of Arthur's in the Canadian Agency. The biographical details of Rivy's life are of particular importance because they shed light on the type of education which Arthur received which made him so ill-prepared to conduct the affairs of the Canadian Agency.

Rivy and his twin brother Francis Octavious were born in

¹⁵⁴ Field Marshal Lord Grenfell, Memoirs (London: Hodder & Stoughton, 1925), Preface.

1880 and both went to Eton in 1894 where their grand-father, father, six brothers and many cousins had been before them.¹⁵⁵ In the tradition established by their brothers three of whom had played in the Eleven, they rapidly became very popular and dominant figures in the school. In 1898 Francis was Master of the Beagles, and Rivy was Whip. At Eton, however, "they showed little interest in books and later were wont to lament to each other that they had left school wholly uneducated".¹⁵⁶

Following their departure from Eton in the fall of 1899, both Rivy and Francis had hoped to pursue a military career. However, their lack of the necessary funds prevented both of them becoming professional soldiers. Rivy thus reluctantly chose a career in the City as a banker while pursuing a military career through a militia unit. This choice led his biographer to observe that "it is hard to believe that Rivy had any aptitude for high finance, and he had beyond doubt the makings of a fine soldier".¹⁵⁷

Rivy's first job in the City was as a clerk in the Bank of England where he remained until January 1902 when he was given a post in the Charter Trust and Agency Limited of which Arthur Grenfell was a director and the Fourth Earl Grey was chairman. He eventually joined Arthur as a partner in the Canadian Agency

¹⁵⁵ John Buchan, Francis and Riversdale Grenfell: A Memoir (London: Thomas Nelson and Sons, Ltd, 1920), p. 10.

¹⁵⁶ Ibid., p. 11.

¹⁵⁷ Ibid., p. 18.

briefly in 1906 and then again in 1912 where his lack of interest and knowledge would have disastrous results.

The assessment of Rivy as a poor banker proved to be accurate as he proceeded to lose a considerable amount of money which Francis had provided to him for investment purposes. As Buchan observed:

It is curious to find Rivy with his ambitions herding among the rastaquouere crowd of minor speculators, intent on little gambles in matters where he had no serious knowledge. Sometimes the wave made by some big vessel carried forward his small cockle-shell, but more often it submerged it158

While continuing to lament his lack of education he made little effort to improve, spending some of his office time reading The Iliad. By 1910 he had developed an unfavourable opinion of the City which was confirmed in a conversation which he had with Mr. Asquith which he dutifully passed on to Francis noting that:

he told me that in talking with financiers that they based their argument on no foundation - in fact, had no logic. I think this is very true. There is a famous Jew who, when asked about his partner's capacity for making money, said he had a wonderful nose for it. I think that is the only way to put it.159

Rivy had been promoted to a position of authority by virtue of his family associations without the necessary preparations to handle his responsibilities.

Marriages by Arthur's brothers and sisters also contributed

158 Ibid., p. 36.

159 Ibid., p. 122.

to the status of the family. Harold Maxwell married Lady Muriel Frances Mary Parson, the only daughter of the Fourth Earl of Rosse and Cecil Alfred married Lady Lillian Maud Spencer Churchill, daughter of the Eighth Duke of Marlborough. Arthur's sister married Guy Stewart St. Aubyn. The St. Aubyn family was based in Cornwall and had been part of the British aristocracy since 1689 when Henden Molesworth was created a Baronet by William III for his support for the Revolution of 1688. Guy Stewart St. Aubyn served in the 60th Kings Royal Rifle Corps during the Matabele War in 1896 and could have been a brother officer of a Grenfell. Guy Stewart St. Aubyn would later serve on the board of directors of the Southern Alberta Land Company.

Arthur Morton Grenfell

Arthur Morton Grenfell was born in Mayfair, London, on 21 October 1873, the sixth son of Pascoe du Pré and Sophia Grenfell of 69 Eaton Place, London, and Wilton Park, Beaconsfield, Buckinghamshire. He attended Eton between 1887 and 1892 where he was a master of the beagles and where he won the steeplechase in 1892. After graduation from Eton, Arthur worked in the London office of J. S. Morgan.¹⁶⁰

During his tenure at the Morgan bank he also served in 1896 as the London director of Willoughby's Consolidated Company,

¹⁶⁰ Arthur Grenfell to Earl Grey 29 November 1906. Earl Grey Papers, 4th Earl.

Limited.¹⁶¹ The company was registered 13 December 1894 to take over the properties of Willoughby's Mashonaland Expedition Syndicate Limited and the Mashonaland Development Company (Willoughby's) Limited. The company owned 558,000 acres of land and 3,639 mining claims, all in Matabeleland and Mashonaland as well as 704 stands of urban land in Salisbury, Umtali, Victoria, Bulawayo and other places. The London Managing directors of the Company were Lt.-Col. A.W. Jarvis, C.M.G., M.V.O. and Sir John C. Willoughby, Bart. Both were serving prison sentences for their role in the Jameson raid. Arthur's opportunity to play the role was no doubt the result of the fact that his older brother Harold Maxwell also participated in the Jameson raid, serving as the remount officer under the command of Sir John Willoughby.¹⁶² Harold had also participated along with Willoughby in the Mashonaland expedition of 1890 which had created Rhodesia. In 1899 Arthur served briefly as the director of North Bonsor Gold Mines Limited, another Willoughby and Jarvis company which controlled 70 mining claims in the Selukwe district of Matabeleland. Grenfell's association with Willoughby and Jarvis introduced him to Rhodesian business affairs and gave him exposure to large-scale land development and mining activities in a frontier region some distance from London.

¹⁶¹ R.P.T. Davenport-Hines, "Grenfell, Arthur Morton (1873-1958) Financier" in Dictionary of Business Biography, vol. 2. ed. David J. Jeremy and Christane Shaw (London: Butterworths, 1984), p. 649.

¹⁶² Ian Colvin, The Life of Jameson Vol.11 (London: Edward Arnolds and Co., 1923), p.60.

Chaplin, Milne, Grenfell & Co.

In 1898 Arthur Grenfell became a junior partner in the firm of Morton, Chaplin & Co. This company, as outlined in Chapter Two, had originally been established as an Anglo-American bank by Sir John Rose and Levi Morton and in which Arthur's father was a partner at the time of his death in 1896. In 1899 when Morton, Chaplin & Co. was reorganized as a result of Levi Morton's retirement from business, Arthur Grenfell became a principal member in the new partnership.¹⁶³ Chaplin, Milne, Grenfell & Co. was incorporated on 21 December 1899 with a nominal capital of £350,000 divided into 20,000 preference shares of £10 each and 150,000 ordinary shares of £1 each. The purchase agreement dated 28 December 1899 provided for the transfer to Chaplin, Milne, Grenfell & Co. of Earnest Chaplin and George Grinnell-Milne's business connections as bankers and financial agent in return for 50,000 ordinary fully paid shares of which 30,730, 13,170 and 3,500 were allotted to Earnest Chaplin, George Grinnell-Milne and Arthur Grenfell respectively. The remaining 2,608 fully paid shares were allotted to various other members of the old firm. The additional 120,000 shares were taken up by the directors and their friends. While information on this distribution of shares is unavailable, Earnest Chaplin appears to have remained the principal partner in the company through to its dissolution in 1914. According to newspapers reports in June of that year, Earnest Chaplin owned 105,400 shares while George Grinnell-Milne,

¹⁶³ The Times, 16 July 1914.

Arthur Grenfell, R.W. Skipwoth, Eric Chaplin and Douglas Grinnell-Milne owned 33,500, 20,000, 5,000, 10,000 and 2,000 shares respectively.¹⁶⁴

The business carried out by Chaplin, Milne, Grenfell & Co. was similar to that of Morton, Chaplin & Co. namely, agency business with the Morton Trust Company of New York in exchange bills, the granting of commercial credits by accepting clients' bills against merchandise, coupon payments in respect of foreign and colonial loans and the payment of interest on behalf of various English companies; the issuing of debentures, shares and other securities of foreign and colonial undertakings; underwriting new issues; accepting moneys on current and deposit accounts from clients and the management of various companies.¹⁶⁵

The directors of the new firm were Ernest Chaplin, George Grinnell-Milne, Eric Chaplin, Robert W. Skipworth, Douglas Grinnell-Milne, Bertram T. Rose and Arthur Morton Grenfell.

The interests of these individuals were thus very diversified, ranging from home to foreign investments in Canada, Latin America, Africa and Russia. Of particular note for the purpose of this thesis is the association of the company through the membership of Ernest Chaplin and George Grinnell-Milne on the board of directors of the Calgary and Edmonton Land Company with the western Canadian land market. Ernest Chaplin, G. Grinnell-

¹⁶⁴ Ibid.

¹⁶⁵ Ibid.

Milne and Arthur M. Grenfell were appointed managing directors, at an extra remuneration of £400 per annum each. In addition to membership on the board of this company, Ernest Chaplin was a member of the board of American Investment Trust, Calgary and Edmonton Land Company and Northern Assurance Company. He was also a financial adviser to the Duke of Sutherland.

Eric Chaplin was a member of the board of Florence Coal and Iron, Guanacevi Mining Company, Stafford Coal and Iron, Totela Mining and Utrecht Collieries. George Grinnell-Milne was on the board of directors of the Calgary and Edmonton Land, Central Bahia Railway Trust, Kia Gold Dredging, Maikop Spies, New Queensland Copper, New Schibaieff Petroleum, New Spanish Shale Oil, Reuter's Bank, Reutor's Telegram, Sonora (Mexican) Land and Timber, Spies Petroleum, Uruguay East Coast Petroleum and Yorkshire Insurance. R.W.Skipwith was on the board of directors of Zinc Corporation and the Guanacevi Mining company.

Arthur Grenfell's activities were concerned with handling British investment in Rhodesia which included his appointment to the Board of directors of the Charter Trust and Agency Limited. The chairman of the company was the Fourth Earl Grey who was also vice-president of the British South Africa Company and whose eldest daughter Lady Victoria Sybil Mary had married Arthur Grenfell on 23 July 1901. The board of directors of the Charter Trust & Agency Limited also included Robert Benson of Robert Benson & Co who was Arthur Grenfell's uncle and Earl Grey's brother-in-law. Arthur's involvement in the company firmly

established his business relationship with Earl Grey. In addition to the family and business relationship, Arthur Grenfell became devoted to Earl Grey. Grey would in his turn remained loyal to Arthur during good times and bad.

Arthur Grenfell's other business interests prior to 1902 also included one additional African company, as well as companies with interests in Switzerland and Australia. The African company was United Excelsior Mines Limited which owned 1,040 mining claims in Mashonaland. The two other companies were Geneva Tramways Limited and Freemantle Smelting Works Limited. The latter company was established in 1897 for the purpose of erecting metallurgical works at Freemantle, Western Australia for the treatment of gold and other ores, and also to acquire lead, iron and other mining properties. Following an estimated loss on its operations of £85,000 in 1901 it went into liquidation in 1902.

By 1900 Grenfell had established himself in the City in much the same manner as his relatives by joining well established firms which were not involved in speculative securities. By 1902, however, Arthur Grenfell demonstrated that he intended to break with this family tradition by establishing his own company and by speculating in the stock exchange. While the first of these objectives was deferred by Arthur until 1906, he was able to indulge in stock speculation with disastrous results.¹⁶⁶

¹⁶⁶ Arthur Grenfell to Earl Grey 21 August 1902. Earl Grey Papers, 4th Earl.

Arthur Grenfell's First Financial Crisis

The first of many crises in Arthur Grenfell's business career occurred in 1902. While the exact details of this affair cannot be fully documented, the Grey papers do provide some information. By 1902 Grenfell had accumulated debts to an unidentified bank of £15,000 and to various stockbrokers of £96,000. In addition to these debts, Grenfell was also in difficulty with the London Stock Exchange which intended to take some form of disciplinary action against him as a result of reports of misconduct by a business associate. Grenfell dealt with this immediate threat by turning over shares to the stockbroker who had made the original complaint. As Grenfell explained to Earl Grey "the stock exchange were going for me [and the] only thing was to compromise or they might have ruined me altogether".¹⁶⁷

Grenfell was, however, unable to cope with this situation on his own with the result that his financial affairs were taken over by a board of trustees made up of Cecil Grenfell and Robert Benson. These debts were dealt with in part by a loan from Earl Grey for £65,0000. Having been rescued from this situation by the intervention of his family, Grenfell pledged to redeem himself in the eyes of Cecil, Robert Benson and Earl Grey and restore his fortunes.

I hope to show them that their efforts have not been in vain - I don't make any excuses for myself I am

¹⁶⁷ Arthur Grenfell to Earl Grey 18 August 1902. Earl Grey Papers, 4th Earl.

quite ready to work myself up again but I feel most dreadfully having made Vera suffer as well. She has been so brave & plucky & has been such a help & support that I shall leave no stone unturned until I have got back my reputation & fortune.¹⁶⁸

Arthur Grenfell's confidence in the future was also based on his view that the crisis had been caused by an unfortunate set of circumstances which would not recur. As he indicated to Grey:

my downfall [was] ... due to their enormous commissions & high rates of interest & to my having in my rich days taken over unmarketable securities & had too many irons in the fire, however I have, I hope learned my lesson & look forward to the day when you will all be able to forgive me.¹⁶⁹

While Grenfell was optimistic about the future, Benson was much less optimistic about Arthur's future since he felt that Arthur had made a fatal mistake which had cost him a distinguished career in the City. As he explained to Grey:

It is no use regretting: But if . . . he had forsworn all directorships except Charter Trust; he might by & by have become a Bank of England director at least [an] . . . imperial company director. Now that is done for an I suppose he must lay himself out for the lower class of directorship.¹⁷⁰

Despite this indication of disaster ahead, Arthur Grenfell was not removed from the board of Chaplin, Milne, Grenfell & Co. in hope no doubt that his activities could be monitored, thus avoiding another similar incident in the future. He did, however, leave London for South Africa and Rhodesia for a short period of

¹⁶⁸ Ibid.

¹⁶⁹ Ibid.

¹⁷⁰ Robert Benson to Earl Grey 18 August 1902. Earl Grey Papers, 4th Earl.

time at the suggestion of Robert Benson and Earnest Chaplin. As Benson explained to Chaplin, "Arthur could be useful to C.M.G. & Co. about a railway in Natal. Besides, I think he may lay the foundation for good business in Rhodesia - where he has the inside track for parties in London".¹⁷¹ Other investment opportunities identified by Benson included rural land for the production of Indian corn, urban in Bulawayo and other market towns which would rise in value as the rural economy improved, native teak, and high grade coal which was located on the main line of the railway between Bulawayo and the Victoria Falls. Benson also saw considerable potential for railway development since he and Arthur had "already had confidential talks with Chamberlain on the subject".¹⁷²

Post-Crisis business activities of Arthur Grenfell

Upon returning to London Grenfell expanded his role in Rhodesian development undertaking, in association with his brother John, the establishment of a copper mine in the Orange Free State near the town of Kronstadt. Goold-Adams the administrator of the Orange Free State had offered the Grenfell brothers a colliery concession and a farm, subject to the condition that no black labour was employed.

Having been unsuccessful at their first attempt, the Grenfell brothers moved to the Messina area of the northern

¹⁷¹ Robert Benson to Earnest Chaplin 21 August 1902. Earl Grey Papers, 4th Earl.

¹⁷² Ibid.

Transvaal where they were eventually successful in establishing the Messina (Transvaal) Development Company. This company ultimately proved to be the most successful economic venture of the Grenfell family in South Africa through to 1950.

While maintaining his association with the British South Africa Company, the Charter Trust and Agency Limited and the Messina (Transvaal) Development Company Limited, Arthur Grenfell also diversified his business interests to include at least one other African company as well as companies in the United States, Latin America, Canada and Russia. The other African company which was part of Grenfell's diversification program was United African Explorations which had originally been registered in 1901 as the West African Agency Limited to carry on a finance and trust business in Africa, Spain and America. Grenfell's first American venture was a mining company, Camp Bird, of which he became chairman of the board in 1903. Camp Bird Company Limited had been created in 1900 to acquire a gold-bearing property situated near Ouray, Colorado. Grenfell's fellow company directors included his younger brother Rivy and J.S.P. Samborne, a London-based mining engineer. Both Rivy and Samborne were on the boards of other companies which were included in Grenfell's ever widening circle of company associations between 1902 and 1912.

Grenfell's Latin American ventures began in 1904 when he

promoted the Compania Minera de Mexico Limited.¹⁷³ This company owned the Espejeras mine which was located 95 miles north east of Mexico City. In the same year he became chairman of the board of a second Mexican mining company, Tetela Mining Limited. Its board of directors included Earnest Chaplin, who was a partner in Chaplin, Milne, Grenfell & Co., and W.H. Ellice. The Secretary of the company was W.J. Challis who would become a shareholder in the Canadian Agency and served as secretary of the Canadian Agency. The Tetela Mining Company was registered March 1 1904 to acquire about 200 acres of gold and silver mining property situated near the town of Tetela de Ocampo.

In 1906 Grenfell created the Mexican Agency to consolidate some of his Mexican mining ventures and to serve as a vehicle for expanding his activity in the area. The Board of Directors was made up of Arthur Grenfell, who served as the chairman, W.H.Ellice, and J.S.P. Samborne. The company shared office space with Chaplin, Milne, Grenfell & Co. at No. 6 Princess Street in the City. In 1906 the Compania Minera de Mexico Limited was acquired by the Mexican Agency in a transaction in which the company shareholders received three fully-paid shares of £1 each in the Mexican Agency for each ordinary share or founders share held in Compania Minera de Mexico Limited.

The new ventures undertaken by the Mexican Agency included the joint purchase of certain mining properties at Guanacevi,

¹⁷³ Arthur Grenfell to Earl Grey 3 February 1904. Earl Grey Papers, 4th Earl.

Mexico for \$380,000 in cash and the joint purchase of 15% of the nominal capital of the English company established to administer this property. This English company was duly incorporated and called the Guanacevi Company Limited. It purchased the mining property for £203,000 in fully paid shares. The amount covered the cash expended to purchase the property and the 15% of the nominal capital of the company. The net result was that Chaplin, Milne, Grenfell & Co. ended up with 85,000 shares and A.M. Grenfell ended up with 85,000 and the two parties were joint owners of an additional 33,750 shares. Chaplin, Milne, Grenfell & Co. and A.M. Grenfell owned the vast majority of shares of the company which had a nominal capital of £225,000. Chaplin, Milne, Grenfell & Co. also subscribed cash for 10,625 shares in the Guanacevi Company. Eric Chaplin and R.W. Skipwith were members of the Board of Directors. At the same time Grenfell established the Mexican Agency to handle the shares in the Guanacevi Mining Company received by Chaplin, Milne, Grenfell & Co. and A.M. Grenfell.¹⁷⁴

At the same time that he was becoming involved in Mexican investment, Grenfell also began his involvement in Canadian investment. His first Canadian venture was West Canadian Collieries Limited. In a letter to Grey shortly after he became Governor-General, Arthur Grenfell indicated that "if the reports are satisfactory as given to me by the French group who control

¹⁷⁴ "Chaplin, Milne, Grenfell & Co., Official Receivers Report" The Financial Times, 16 July, 1914.

the company, I shall probably take it in & introduce the shares in London. So that I haven't taken long getting in touch with your country".¹⁷⁵ In 1906 he also created the Canadian Agency which will be dealt with more fully in the following chapters of this thesis.

Grenfell continued to concentrate on his Canadian investments until 1909 when he resumed this diversification program with the creation of Santa Gertrudis Limited, the Chilian Northern Railway, the British Bank of Northern Commerce and the Emba Caspain Oil Company. Since the creation and operation of these companies were associated with the Canadian Agency, they will be dealt with in greater detail in Chapter Seven.

The expansion in Grenfell's business activities after 1902 was accompanied by the deepening of his relationship with Earl Grey. Grenfell served as Grey's portfolio manager. The shares managed by Grenfell were mostly in African companies although this list also included companies later expanding into Mexican and Canadian stock as Grenfell diversified his own activities.¹⁷⁶ Grenfell shared this role with Williams and Benson with Benson tending towards American stocks.¹⁷⁷

Grey's contribution to this relationship began when Arthur

¹⁷⁵ Arthur Grenfell to Earl Grey 16 December 1904. Earl Grey Papers, 4th Earl.

¹⁷⁶ Grenfell to Grey 15 December 1905. Earl Grey Papers, 4th Earl.

¹⁷⁷ R.C. Michie, "The Social Web of Investment in the Nineteenth Century" International Review of the History of Banking No. 18. (1979). p. 165.

and John Grenfell started to develop the copper mine at Kronstadt in South Africa. Grey took a great deal of interest in this project since he hoped to persuade them to establish a Garden City along the lines of Cadbury's Bournville. As he explained in a letter to Lord Milner, he wanted to help:

them to establish on sound lines a social experience, which under good management ought to be successful, and thus enable them once more to serve both God and Mammon....178

Grey also tried to help Arthur in Mexico by making a state visit as Governor-General. Arthur quickly discouraged this suggestion.

This relationship also survived the death of Arthur's wife following her visit to Mexico in 1907. The impact of this event on their relationship was reduced because Arthur's second wife, Hilda Margaret, second daughter of General Sir Neville Lyttelton, was a friend of the Grey family.

Conclusion

The outlines of the careers of Earl Grey and Arthur Morton Grenfell demonstrate that the individuals most directly associated with the Canadian Agency were ill equipped to handle the responsibilities of an investment agency. Grenfell's main deficiency was his preference for stock speculation and short term deals. Meanwhile, Earl Grey who was a major influence on his life could not be expected to have a stabilizing influence on his activities, given Grey's own tendency towards vague and fanciful

178 Earl Grey to Lord Milner 21 December, 1902 in Cecil Headlam, ed. Vol. I. The Milner Papers (London: Cassell & Company Limited, 1933), p. 400.

ideas.

The appointment of the Fourth Earl Grey as Governor-General of Canada in 1904 brought together the critical elements which would make up the history of the Canadian Agency. The Canadian boom driven by high wheat prices, high immigration, extensive railway construction and the anxieties of the British aristocracy over land reform were combined in the Canadian Agency with an imperialist anxious about Britain's status as a great power and a promoter and stock speculator. Having set the stage for the history of the Canadian Agency, the following chapter will provide an overview of this aspect of Grenfell's career.

Chapter Five

Creation of the Western Canada Land Company and the Canadian Agency

As the overview of Arthur Grenfell's business career provided in Chapter Four indicates, his participation in the Canadian economy was only one aspect of his overall role as an investment promoter on a global scale. The purpose of the next four chapters is to examine his role in the Canadian economy in greater detail, beginning in Chapter Five with an outline of the creation of the Western Canada Land Company and the Canadian Agency in 1906. The Canadian Agency will then be analyzed in terms of its organization and personnel through to 1914. In describing the organization of the Canadian Agency, some discussion will also take place with respect to the role of Earl Grey. The development of the Western Canada Land Company beyond 1906 will be pursued in Chapter Six.

Creation of the Western Canada Land Company

Arthur Grenfell's entry into the western Canadian real estate market began in 1905 when he organized the CMG Syndicate to provide funds to acquire a land purchase option which had been negotiated by Cecil Ward with the Canadian Pacific Railway.¹⁷⁹ No documents have been found which indicate the membership of the Syndicate but given the use of the initials CMG it must have had some association with Chaplin, Milne, Grenfell & Co. Under the

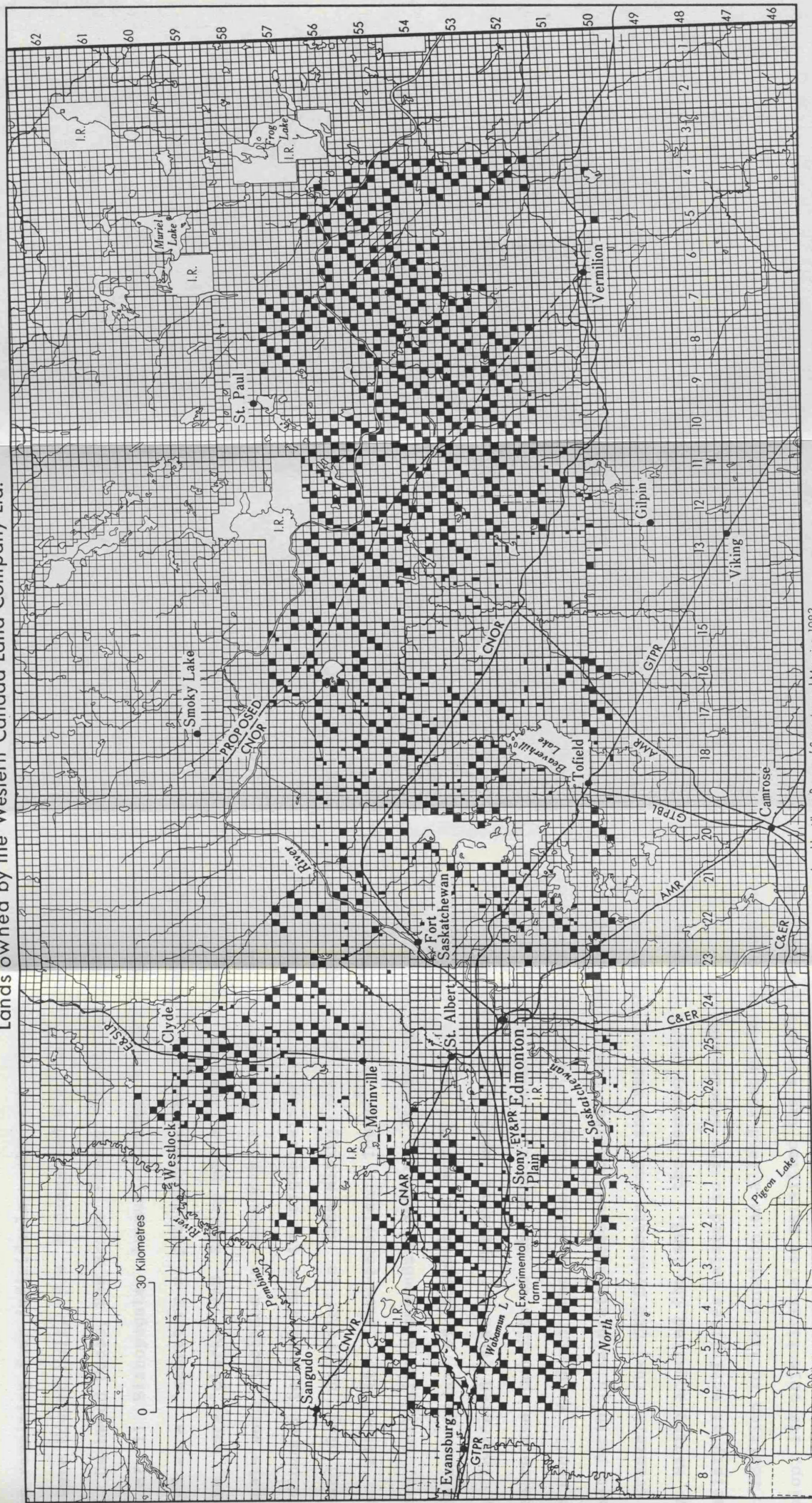
¹⁷⁹ Arthur Grenfell to Earl Grey, 22 October 1905. Earl Grey Papers, 4th Earl.

terms of this option, Ward was to receive 900,000 acres of land in the Edmonton area at the price of \$4.16 per acre. Cecil Ward, who up until that point had not been a business associate of Arthur Grenfell's, was a London solicitor and the managing director of Canadian Real Properties Limited, a company created in 1902 which had its land holdings in British Columbia. A final agreement between Ward and the Canadian Pacific Railway was delayed until 8 January 1906 because the senior management of the Railway changed their mind and refused to ratify their agents actions. In the final agreement the amount of land was reduced to 500,000 acres but the price remained the same at \$4.16 per acre.

The successful completion of Ward's negotiations with the Canadian Pacific Railway on 8 January 1906 was followed on 5 February 1906 by the incorporation of the Western Canada Land Company which would ultimately be responsible for the administration of the land. The people who signed the memorandum and articles of association and who would play a role in its future operation were Arthur Egerton Leigh, Cecil Ward and John Robert Tennant, all of whom subscribed two hundred ordinary shares.¹⁸⁰ Leigh, a Justice of the Peace in the County of Dorset and Chairman of Richard Hayward & Sons Limited, lived at the Manor House, Sherborne, Dorset. Robert Tenant of 19 Hanover Square London was the managing director of the Land Corporation

¹⁸⁰ Western Canada Land Company File. Bancroft Library Collection A Z.

Lands owned by the Western Canada Land Company Ltd.



Base map produced by Alberta Bureau of Surveying and Mapping, 1983

of Canada and the Anglo-Canadian Finance Corporation.

The remaining four individuals, who each subscribed for one share, were Edward Holt, F.W. Hodsdon and W.A. Honeybone all of 161/164, Dashwood House, New Broad Street, London and Albert E. Bailey of 11 Bishopsgate Avenue, London. Edward Holt was described as a 'secretary of public companies' while Hodsdon and Honeybone were 'clerks' and Bailey was a 'printer'. These four individuals were included as subscribers in order to have the required number to facilitate the organization of the company and they would play no role in determining how the company would operate after its incorporation. These individuals were, therefore, following a procedure outlined in Chapter One.

The memorandum of association for the Western Canada Land Company indicated that the specific purpose of the company was to acquire the benefits of the contract dated January 8 1906 between Cecil Ward and the Canadian Pacific Railway under the terms set forth in a draft agreement between Cecil Ward, Arthur Morton Grenfell, the CMG Syndicate and the Western Canada Land Company. Having acquired the land, the company could undertake a wide variety of activities related to its development.

In addition to its function as a land company with an estate to develop, its objectives also permitted the Western Canada Land Company to diversify its activities beyond that of land development. It was permitted to acquire other companies, "to receive money on deposit and to lend money to any company [and] to invest and deal with any reserve funds of the company and any

moneys of the company upon such investments and in such manner as may seem expedient." These objectives foreshadowed its later involvement in coal mining and the mortgage business.

The first directors of the Western Canada Land Company, in addition to Leight, Tennant and Ward, were Major-General Sir Ronald Bertram Lane C.B., K.C.V.O. who also served as chairman and William Henry Ellice of Hutton & Ellice. At the time of Lane's appointment he was also Lt.-Governor and Secretary of the Chelsea Royal Hospital. Like the majority of the other directors, both Lane and Ellice lived in London. The Canadian manager was E.M. Robinson of Winnipeg and the agent for the company in Canada was Nares, Robinson & Black of Winnipeg. Robinson also acted as the land agent for the Canadian Northern Railway Company. The Canadian Bank of Commerce and Chaplin, Milne, Grenfell & Co. served as the company's bankers. E. Holt, who was soon replaced by William Challis, served as its first secretary. Its offices, first located at Dashwood House, New Broad Street, London were moved to Number 6 Princess Street after the organization of the Canadian Agency.

On 8 February the agreement between Cecil Ward, Arthur Morton Grenfell, the CMG Syndicate and the Western Canada Land Company was executed. This agreement described how Arthur Grenfell had "assisted" Cecil Ward in obtaining the contract from the Canadian Pacific Railway, which included providing the \$50,000 down payment and that he had done so upon the understanding that the CMG Syndicate be formed and that Cecil

Ward would hold the contract on behalf of Grenfell and the CMG Syndicate.¹⁸¹ The agreement also indicated that the Western Canada Land Company paid £150,000 for the land contract which was paid to Cecil Ward and the CMG Syndicate in fully paid shares of the Company. Cecil Ward received £20,000 in shares while the CMG Syndicate received £130,000 in shares. The agreement of 8 February 1906 concluded with correspondence between Thomas Shaughnessy, President of the Canadian Pacific Railway, and Arthur Grenfell concerning a reduction in the cost of the land if the entire amount was paid for in advance.

Given the need to raise funds quickly to take advantage of the price reduction for payment in full, the first prospectus of the Western Canada Land Company was issued to the public on 10 February, 1906. This prospectus, offered through Chaplin, Milne, Grenfell & Co., 300,000 shares of £1 each at 25s. per share which had to be fully paid by 30th April 1906. The money raised by this issue was, noted the prospectus, to be used to provide funds to purchase the land from the Canadian Pacific Railway and to cover the other costs of setting up the company.

Following the initial statement on the type, nature and amount of the shares to be offered, the prospectus proceeded to provide background information on the company intended to encourage investor confidence in the value of the shares. The

¹⁸¹ Agreement between Cecil Ward, Arthur Grenfell, the CMG Syndicate and the Western Canada Land Company. Western Canada Land Company, Bancroft Library, Z-G 2 Collection, Registrar of Companies Office, Bush House London.

most important fact about the company was that it had acquired an estate which would be in demand. The first reason why this land would be in demand was the quality of the land itself. The valley of the Saskatchewan noted the prospectus was "one of the best wheat growing districts of North Western Canada". The evidence for this included government reports which showed that "the land in this district is, as a general rule, undulating, well watered and of good quality". Another authority on its productivity cited in the prospectus was the general manager of the Canadian Bank of Commerce who in a speech to a meeting of the shareholders of his bank stated that:

By far the most interesting fact in grain-growing in the North-West at present is what might be called the discovery that we have great winter wheat areas, where until lately we had not even considered that winter wheat could be grown. In 1903 we raised less than 30,000 bushels of winter wheat, while last year the quantity in Alberta is estimated at over 1,500,000 bushels. The highest authorities in the United States are most enthusiastic as to its quality and as to the value of land which produces such an article of commerce, while in competition with winter wheat from other parts of the United States the best of our varieties carried off the gold medal at the Lewis and Clark Exhibition, recently held in Portland Oregon.

Additional evidence noted in this document was the size of the crop of the past season which "besides being the largest ever harvested in the West of Canada, was also one of the best in quality and thus should create a still greater demand for land during the present year".

A second reason that made this land valuable was its advantageous location in relation to the western Canadian railway

system which was then under construction and its close proximity to Edmonton, the new capital of the Province of Alberta. In discussing railway developments, the prospectus noted that:

the whole of this district is being rapidly opened up for settlement and is already served by two existing railway companies, the Canadian Northern Railway which has already reached Edmonton and the Calgary and Edmonton branch of the Canadian Pacific Railway.

The Canadian Northern Railway brings this district into direct communication with Winnipeg and the great wheat markets of the world. The projected main line of the Grand Trunk Pacific Railway will also pass through this district. This latter company has undertaken to build to the Pacific coast and this line when constructed will bring this district into closer touch with the markets of China and Japan.¹⁸²

The proximity of the land to the railways was particularly important since:

It [was] well known that land in the immediate vicinity of railroads is much more easily disposed of than land less fortunately situated, and the directors consider that as the property of this company will eventually have the benefits of railway transport by three separate companies, it will have advantages such as few other land companies in North Western Canada possess.¹⁸³

Another aspect of its advantageous location was its proximity to the City of Edmonton, which "promises to be one of the largest cities in Western Canada and lies nearly in the centre of this Company's property".¹⁸⁴

A third factor contributing to the value of the company's

¹⁸² Ibid.

¹⁸³ Ibid.

¹⁸⁴ Ibid.

assets and therefore the value of the stock as an investment, was immigration. "Settlers of a superior class" noted the prospectus "have been pouring into Western Canada, and information from various sources indicates that the large immigration of last year will be greatly exceeded this season." The comments of the Bank of Commerce official referred to earlier serve to demonstrate how immigration was already causing increased land values. Immigration, the general manager noted:

Is now very large, the numbers coming from the United States being still much greater than those from Europe, while the movement of Canadian from the East to the West of Lake Superior is almost half as great as the immigration from the United States. The land sales are so large that the railway, land and colonization companies have materially advanced their prices.¹⁸⁵

In support of the view that these factors were all contributing to rising land values, the prospectus outlined the success of other land companies in the region. The monthly reports of the Canadian Northern Prairie Lands Company, Limited to their shareholders indicated the company sold 89,918 acres at an average price of \$6.56 per acres in September 1905, 12,720 acres at an average price of \$7.03 per acres in October 1905, 2,698 acres at an average price of \$8.11 per acres in November 1905, and 1,568 acres at an average price of \$8.51 per acres in December 1905.

The value of shares in Canadian land companies was further

¹⁸⁵ Ibid.

emphasized in the prospectus by statistics provided to show the rising value of the shares on the London Stock Exchange of other land companies in Canada. The Canada North West Land Company shares had increased from \$25 to \$100, Canadian Northern Prairie Lands Company shares had gone from \$5 to \$10, Calgary and Edmonton Land Company shares had gone from 17s 6d to 46s, and the Land Corporation of Canada Limited shares had gone from £1 to 35s.

Given these conditions and the experience of the other land companies, the prospectus indicated that the Western Canadian Land Company should be able to realize \$10 to \$15 per acre for land within 15 miles of a railway, \$7.50 to \$9.00 per acre for land between 20 and 25 miles from a railway and \$6.50 to \$7.50 per acre for land between 25 and 30 miles from a railway. The prospectus also predicted:

that a considerable profit will be realised out of town sites, which will be laid out along the different lines of railways, and as a great part of the land will be sold on the instalment principle carrying interest at the rate of 6 per cent per annum, a further revenue will be derived from this source.

The share offer was totally subscribed with a total of 521 individuals and institutions purchasing shares. This group was more dispersed geographically and included a number of middle class professionals.

The prospectus was a clear appeal to land speculation on a grand scale since the company simply needed to hold on to its property and let it appreciate in value through the investment

in the development of the region by the railway companies and because of immigration. No action by the company with respect to land development was thus required for it to reach the objectives for which it was organised. While it did represent a continuation of British interest in Canadian land, it did break with tradition by not incorporating any settlement scheme.

The company thus saw itself as participating in a continental land market rather than engaging, at least during its early years, in any settlement scheme directed towards meeting the needs of British settlers. Taking advantage of the price differences between land in the Canadian and American West was in contrast to the imperial sentiment of some of the company promoters which would only emerge at a later date.

In presenting this information to the British investor, the company provided a reasonably accurate summary of developments in the Canadian West. It did not, however, present all the appropriate information with respect to its land holdings. Crucial information not included was that the company had not acquired a solid block of land. The first settlers in the district could, therefore, obtain land from the Dominion Government before having to purchase it from the Western Canada Land Company. This would have the effect of reducing demand and land prices for the private land companies during the initial years of settlement.

The Canadian Agency

At the same time that Arthur Grenfell was establishing the Western Canada Land Company, he also began to make plans to deal in a more comprehensive way with Canadian investments in response to the constant pressure from Earl Grey to turn his attention to Canada. His initial plans, as outlined to Earl Grey in February 1906, called for the creation of a "Canadian market like the American market where only Canadian securities would be dealt with".¹⁸⁶ In order to ensure that an adequate volume of Canadian securities would be available, he proposed the creation of a large Canadian trust.

In August 1906, while still considering the creation of a Canadian trust company, Grenfell announced to Grey that he was proceeding with a second scheme which involved turning himself into a company.

I shall try [and] act as an information bureau - distributing such information as I may receive from Canada [and] London [and] especially provincial papers. Some such intelligence department is sadly wanted - as you know no one troubles to read "Government Statistics" however interesting they may be, but information sent out by a private concern is generally read [and] taken note of.¹⁸⁷

The memorandum of association dated 13 July 1906 indicated that Arthur Grenfell's new Canadian Agency was established to act as "capitalists, financiers and bankers and to undertake and

¹⁸⁶ Arthur Grenfell to Earl Grey 5 February 1906. Earl Grey Papers, 4th Earl.

¹⁸⁷ Arthur Grenfell to Earl Grey 26 August 1906. Earl Grey Papers, 4th Earl.

carry on and conduct all kinds of agency, financial, commercial, trading and other business". Within this very broadly defined purpose, it could act as a stock broker to deal in a wide range of securities issued by any public body, corporation or association of persons. Other financial services which it was authorized to provide included the execution of trusts and to guarantee payment of money secured by or payable under or in respect of various securities.

In addition to providing these services, the memorandum of association also indicated that the Canadian Agency intended to take an aggressive approach to raising capital for investment overseas. To achieve this objective, the Agency was permitted to acquire a variety of securities by original subscription, tender, purchase, exchange and to guarantee or underwrite the subscription of these securities or to arrange for other persons to do so. It was also permitted to establish or promote a company of any description and to seek openings for employment of capital in all parts of the world.

The memorandum of association was also specific about the kind of economic activities which the Canadian Agency intended to encourage through their capital export activities. These ranged from the construction of transportation systems, harbour facilities, irrigation works and utility systems and to carry on the "business of miners, metallurgists, smelters, refiners, builders, engineers, hotel and store keepers, farmers, grazers, shipowners, shipbuilders and merchants, and to buy, sell, and

deal in property of every description".188

The articles of association indicated that the capital of the company was to be £100,000 divided into 100,000 shares of £1 each with 50,000 being ordinary shares and 50,000 being deferred shares. The remaining articles covered calls on shares, transfer, transmission and forfeiture of shares, alteration of capital and general meetings. These articles were subject to frequent revision through to 1914.

The memorandum and articles of association were signed by seven office staff from an unidentified company, all of whom subscribed for one ordinary share. The certificate of incorporation was issued on 14 July 1906. On 20 July 1906 the subscribers to the memorandum of association appointed Arthur Grenfell and Major Guy Stewart St. Aubyn to the Board of Directors and were henceforth eliminated from any future role in the company's operation. St. Aubyn had taken a medical discharge from the army to join a City firm. Arthur Grenfell was pleased to have him as a business partner because "he is extremely good at detail, rather precise, & easily frightened & as I am entirely lacking in these qualities, (so necessary for a business man)".189

The office of the Canadian Agency was established at Number

188 Memorandum of Association, Canadian Agency, Bancroft Library, Z-G 2 Collection, Registrar of Companies Office, Bush House London.

189 Arthur Grenfell to Earl Grey 26 August 1906. Earl Grey Papers, 4th Earl.

6 Princess Street where it subleased the first and second floors from Chaplin, Milne, Grenfell & Co. Limited at a rental of £2,510 and the first floor of Number 3 Princess Street from another landlord at a rental of £3,250 to £3,500. The Canadian Agency in turn provided office space, secretarial and clerical assistance to several companies in which it was concerned as promoter such as the Western Canada Land Company. Arthur Grenfell administered the company from this location throughout its history making only periodic visits to Canada in 1907, 1910 and 1912.¹⁹⁰

The first allotment of shares took place between 20 July and 27 September 1906 during which time Arthur Grenfell received 50,000 preferred shares and Riversdale Nonus Grenfell and Major St. Aubyn each received 500 ordinary shares. Each individual who signed the memorandum of association also received one ordinary share. This left 48,993 ordinary shares to be allotted at a future date. With Riversdale Grenfell's appointment to the board of directors on 27th September 1906, the major shareholders were also the board of directors.

Another important step in the organization of the Canadian Agency which took place in 1906 was when Chaplin, Milne, Grenfell & Co. agreed to loan money to the Canadian Agency which it had received on deposit from companies introduced to it by the

¹⁹⁰ The records of the Canadian Agency were presumably destroyed following its liquidation. All the records that have survived include the BT 31 file in the Bancroft Library Collection and newspaper reports.

Canadian Agency.¹⁹¹ At the first Board meeting Chaplin, Milne, Grenfell & Co. were appointed the Canadian Agency's bankers.

Revision of the articles of association

The process of modifying the articles of association began almost immediately after they were drafted. At an extraordinary general meeting held on 22nd October 1906, Article 94 was revised to permit any director to vote on all questions even if he had an interest in the matter under discussion. This removed any legal implications for a 'conflict of interest' situation. At a second extraordinary general meeting held 12 November 1906, the nominal capital of the Canadian Agency was increased to £150,000 by the creation of 50,000 new ordinary shares of £1 each which increased the total of ordinary shares to 100,000.

The most extensive revision of the articles of association was undertaken at a third extraordinary general meeting held on 5th December 1906. These revisions included one minor change to Article 69 which was revised to permit one rather than five members to request a poll on any vote held at a meeting.

The seven other revisions, however, were more substantial since they dealt with the relative importance of ordinary and deferred shares. Article 9 was changed to indicate that the necessary quorum at a general meeting would be three shareholders representing or holding proxies, representing one-half of the paid-up capital of the company. This Article was further revised

¹⁹¹ Official Receiver's Report as printed in the The Times, 16 July 1914.

with the removal of the sentence that no minimum number of people were required to attend an adjourned meeting in order to constitute a quorum. It was replaced with a sentence which indicated that a separate general meeting of the holders of any class of shares could be summoned at any time by the order of any director or the holders of a clear majority of the issued shares of such class. These revisions made it more difficult for individual shareholders to organize a meeting.

Article 54 was revised to give ordinary shareholders the same rights as deferred shareholders with respect to consenting to the increase of the company's capital and the opportunity to receive any new offer shares.

The importance of the ordinary shares was further increased with the deletion of Article 55 which had stated that it was not necessary at the present time to obtain the consent of the holders of the ordinary shares to any proposed increase of capital, the relationship of these shares to the ordinary shares already issued and various other rights of the ordinary shareholders. Article 73 was revised to give ordinary and deferred shareholders equal voting privileges at company meetings.

A new article of association was inserted after Article 81. This new article, called 81a, stated that as long as Arthur Morton Grenfell, or his nominee or nominees, held 45,000 out of the 50,000 deferred shares of the company he would be one of the managers of the company and would be entitled to remuneration for

his services at the rate of £500 per year. This article ensured that Arthur Grenfell had some control over the company.

Article 87 was revised to indicate that holders of the ordinary shares of the company might, by a resolution passed at a separate meeting, make regulations limiting or restricting the powers, authorities and discretion conferred upon the directors. A second new article was added to give the ordinary shareholders certain rights with respect to the winding up of the company.

The process of revising the articles of association was completed in January 1909 when the article restricting the powers of the company to borrow or raise money and to mortgage the undertaking and all or any of the real and personal property of the company was removed.

Management or Lack Thereof

The first change in the management came with the resignation of Rivy Grenfell on 15 November 1906. Guy Stewart St. Aubyn attributed his departure to his difficulty in getting along with his brother Arthur. However, as has been discussed in Chapter Four, Rivy Grenfell had little interest or aptitude for a career in banking.

The most significant change came in 1909 with the departure of Guy Stewart St. Aubyn who was the most competent member on the board. The deterioration in the business relationship between St. Aubyn and Arthur Grenfell is evident as early as 1908. Evidence of this deterioration and the implications which it had for the fortunes of the Canadian Agency is to be found in correspondence

from St. Aubyn to Earl Grey. In his first letter to Grey dated 1 July 1908, St. Aubyn gives a devastating critique of Arthur Grenfell's competence as a businessman. It began with a review of the discussion which they had in Ottawa the previous February. In that discussion St. Aubyn told Earl Grey that:

having missed the opportunity of getting his affairs in order after the successful promotion of his two land companies, [and] of doing a deal in Messina shares when copper was at a record price in 1906, he had gone off to Mexico leaving a large bull account open [and] with liabilities far too heavy for his resources.¹⁹²

In conducting himself in this manner, Arthur Grenfell provided a perfect illustration of St. Aubyn's observation that he would:

never take a profit when he has one. That is he will not sellout [and] realize, although he treats differences in his favour as profits earned [and] allocates them to other purposes. As a consequence, if the market goes against him, he has nothing to fall back on where with to meet his obligations.¹⁹³

The financial crisis of 1907, which occurred while Grenfell was in Mexico, intervened and "his unrealized profits were swept away and a big loss followed in his speculative account", as had been predicted by St. Aubyn.¹⁹⁴ Grenfell's financial predicament necessitated the implementation of a relief policy which:

called for stringent economy [and] much humdrum, persistent effort . . . [that] proved distasteful and boring to him, and he plunged once more into heavy

¹⁹² Guy Stewart St. Aubyn to Earl Grey, 1 July 1908. Earl Grey Papers, 4th Earl.

¹⁹³ Ibid

¹⁹⁴ Ibid.

speculation as a shortcut to the rehabilitation of his finances.¹⁹⁵

In this instance when the market went against him, he made matters worse by borrowing money which St. Aubyn pointed out "should not have been utilised to finance private speculations".¹⁹⁶ By virtue of Arthur Grenfell's failure to follow a policy of:

serious and sustained effort to straight out his finances by a process of economy [and] distribution thereby gradually reducing his commitments [and] leaving himself free to take a complete rest [and] change, he has taken on heavier obligations than ever so that the position calls for his constant personal attention.¹⁹⁷

St. Aubyn concludes his summary of the situation by suggesting that Arthur Grenfell had to be in effect protected from himself because he had an irrational approach to business. As St. Aubyn explained, the present situation was the very situation they had hoped:

to avoid; from the business standpoint because this craze for speculation has unbalanced his judgement; from the personal aspect for the reason that the effect on his health is deplorable. . . . Moreover . . . the desperate gambler has recourse under pressure of necessity to expedients which otherwise he would never dream of adopting. This blunts the moral sense, one of the consequences of which is that misunderstandings arise in business relations with others which the latter set down as breaches of faith.¹⁹⁸

¹⁹⁵ Ibid.

¹⁹⁶ Ibid.

¹⁹⁷ Ibid.

¹⁹⁸ Ibid.

All of this information led up to St. Aubyn's primary purpose in writing the letter which was to advise Grey that Grenfell's business affairs had become so complicated that they required his constant personal attention and, therefore, if he did go to Scotland for two months he must be within reach.

St. Aubyn continued his letter by providing further information on Arthur's irrational and irresponsible approach to business:

The fact, I fear, is that Arthur suffers from a sort of financial megalomania. Figures, facts, transactions, [and] ideas appeal to him because they are big rather than because they are sound. Consequently facts are often confused with fiction - with disastrous results.¹⁹⁹

The implications for the company of this situation was that St. Aubyn could not come to Montreal despite the advantages of such a course for the company "unless [and] until there can be found some one to take my place [and] exercise a restraining influence here".²⁰⁰ St. Aubyn may have hoped that Grey would play that role.

In expressing these concerns to Grey, he also noted he had more than just Arthur Grenfell's interests at heart. As he indicated:

My responsibility in the matter is considerable because my friends [and] relatives have at my insistence put up a substantial amount of hard cash for the Canadian Agency [and] I do not mean it to be lost if I can help it by reckless finance [and] improper

¹⁹⁹ Ibid.

²⁰⁰ Ibid.

loans to individuals.²⁰¹

St. Aubyn concluded his letter by discussing Arthur Grenfell's involvement in the Wolf-Montcalm project which he considered a distraction from his business responsibilities. While acknowledging his hard work and success in raising money through such funding raising projects as the Mansion House dinner, St Aubyn at the same time "wished . . . that the £10,000 collected was going into his pockets". By implication, he was suggesting that Grey's other projects which also involved Grenfell were also having a detrimental effect on the operations of the Canadian Agency.

A second letter to Grey from St. Aubyn, which was written on 6 August 1908 in response to a telegram received from Grey, concerned Arthur Grenfell's plans for a holiday in Canada. In this letter St. Aubyn reiterated his concerns that Arthur's business affairs were in such a state as to require his presence in London. The Messina (Transvaal) Development Corporation, Mexican and Canadian land demanded "constant attention I mean, the financing of these various interests call for unremitting care [and] vigilance if they are to be pulled through to any sort of satisfactory conclusion".²⁰² True to form, however, Arthur was deferring to his father-in-law and proposing a trip to western Canada. St. Aubyn warned Grey that:

If everything were to go on swimmingly in an

²⁰¹ Ibid.

²⁰² Ibid.

upward direction all would be well: but if political or crop scares occurred in the States the big interests in Wall Street might change their policy, with results disastrous to anyone who was largely committed on the bull side [and] out of reach of London.²⁰³

Apparently this letter did have some effect because Arthur Grenfell did not go to western Canada in 1908.

In a third letter written on 30 January 1909 to Grey, he indicated that Arthur Grenfell's behaviour was continuing to have a detrimental effect on the company. It provided yet another specific example of how Arthur's actions had created another crisis which forced Guy Stewart St. Aubyn to make a rushed trip back to England rather than stay in Canada to attend to Company affairs. The crisis this time was the marriage settlement which Arthur had entered into as part of his forthcoming marriage to Hilda Margaret Lyttelton. This marriage settlement stated "that instead of continuing the scheme for gradual liquidation of debts, he will now not only be forced to suspend its operation, but also to incur fresh [and] probably crippling obligations".²⁰⁴ The effect of this on the company and on Arthur was that the establishment of a Canadian House was once again postponed. He also suggests that Arthur will have trouble raising capital in England for expansion since he is running out of cash and credit in

²⁰³ Guy Stewart St. Aubyn to Earl Grey 6 August 1908. Earl Grey Papers, 4th Earl.

²⁰⁴ Guy Stewart St. Aubyn to Earl Grey 30 January 1909. Earl Grey Papers, 4th Earl.

England.

The fact that St. Aubyn wrote to Grey about his concerns and requested his help indicates that while Grey was not a formal part of the management of the Canadian Agency, he did play an important part in its operation because of his relationship with Arthur Grenfell. Grey's role did not involve him using his office to obtain special privileges for the Western Canada or the Southern Alberta Land Companies. Grey was not, however, above directing new business to Grenfell in the hope that the Canadian Agency would become an important institution for the movement of British capital to Canada, thus combining the search for God and mammon in Canada which Grey had hoped to achieve in South Africa.

St. Aubyn was replaced by Charles Ponsonby, John S. Samborne of 35 Queen Victoria Street, and W.A. Johnson, 11 Curzon Street, Mayfair. Samborne was the managing director of the Mexican Agency Limited which as noted in Chapter Four was established in 1906 to handle the stocks of various Mexican Mining companies acquired by Arthur Grenfell and Chaplin, Milne, Grenfell & Co. The departure of St. Aubyn left Arthur Grenfell as the only remaining charter member. In 1910 the board was enlarged with the appointment of Captain D. O. C. Newton, Earl Grey's A.D.C. during a portion of his term as Governor-General of Canada and the re-appointment of Rivy Grenfell.

Other aspects of the company's organization are difficult

to document with the exception of the office in Edmonton which was operated by H.M.E. Evans from 1910 until the company's collapse in 1914. The Canadian Agency also had offices in Paris and Montreal, but their operations have been difficult to document. Newton handled the Montreal office and a Calgary office which operated for a short period of time. A further source of confusion is that it is difficult to separate the Canadian Agency from its associated companies.

The Canadian Agency was also successful in launching a weekly market newsletter in October 1906. The first issue discussed cobalt mining stock, the Dominion Coal Company and various electrical developments. The continued publication of this weekly market series after November 1906 cannot be documented.

Share distribution

As noted earlier, the nominal capital of the Canadian Agency had been increased to £150,000 by the end of 1906, leaving 98,993 shares left to be issued. In 1907 the distribution of the company's remaining share capital took place with the second allotment of shares on 25th March when 72,000 ordinary shares were issued. The recipients of many of these shares were, at the very least, gentlemen as indicated by their title and/or by their place of residence. Major General Sir Henry Seymour Rawlinson of 21 Charles Street, Berkeley Square, London was the largest recipient receiving 25,500 shares. Rawlinson was another army officer who had served in South Africa. Robert Henry Benson and

Henry August Vernet, both of 66 New Broad Street, London, jointly received 25,000. Robert Benson, Arthur's uncle, was holding shares on behalf of Earl Grey. Ernest and Eric Chaplin of the firm of Chaplin, Milne, Grenfell & Co. jointly received 15,000, thus further integrating the operations of the Canadian Agency with its bankers. The Honourable Margaret Howard of 31 Queen Anne Street, London, received 5,000. The remaining 15,000 shares were divided equally between Cosmo Romilly of 25 Old Broad Street, London, William Henry Ellice of Foxhanger, Godalming, Kent and Hugh Francis Seymour of South Sea House, Threadneedle Street, London. Romilly was listed as a merchant and therefore could have been another banker. Ellice was a business associate of Arthur Grenfell. Seymour was listed as a stockbroker who, like Robert Benson, may have been holding shares on behalf of some unnamed client.

A third allotment of shares took place on 4th September 1907 when Adeline Mary Chapman of 24 Buckingham Gate, London and Spencer Chapman of 84 Eccleston Square, London were allotted 2,500 shares and 15,000 ordinary shares respectively. A fourth allotment of shares was made on 5th November 1907 to dispose of the remaining 9,493 shares. John Milsom Rees of 18 Upper Wimpole Street, London received 5,000 ordinary shares while Joseph Frederick Laycock Wiseton, Bawtry, Yorkshire received 4,493 ordinary shares. Rees was a doctor while Laycock was described as 'a Captain'.

In March 1909 the nominal capital of the Canadian Agency was

increased from £150,000 to £300,000 by the creation of 150,000 new shares of £1 each. The allotment of these new shares began in May 1909 when Cosmo Romilly and Dr. John Milsom Rees, both of whom had received shares during an early allotment, received 250 and 4,750 shares respectively. The new shareholders included in this allotment were: Robert Nivison of Bank Building, Princess Street, London who received 20,000 shares; Baron Charles Allsopp Hindlip of Hindlip Hall, Worcester who received 3,000 shares; John Westall Marsden who received 500 shares; William Heap Holland of W. Holland & Sons, Manchester who received 500 shares; Walter Illingworth, Frederick William Hall and Arthur Buckley who received 1,000 shares which were held by Charlton & Illingworth of Manchester; and James Hamet Dunn of 41 Threadneedle Street, London who received 20,000 shares. Dunn was a Canadian financier who had come to London to establish an investment house.²⁰⁵ He could have been of considerable assistance to Arthur Grenfell in his efforts to establish the Canadian Agency as a Canadian investment house, but Arthur Grenfell failed to take advantage of the opportunity. This allotment of shares left the issued capital of the company at £200,000 made up of 150,000 ordinary shares and 50,000 deferred shares. The remaining unissued capital was £100,000 as of November 1909.

On 10 March 1910 the nominal capital was increased by the

²⁰⁵ Marchland, Gregory. "Hands Across the Water: Canadian Industrial Financiers in the City of London, 1905-20" Unpublished paper given at the 37th Annual Business History Conference, Toronto, March 1991.

creation of 200,000 additional £1 shares. On 24 March 1910 the capital of the company was re-organized. By a special resolution the 150,000 issued shares in the Company, which had thereto been known as ordinary shares, were now to be referred to as 5 % Cumulative Participating Preference shares and the 50,000 shares already issued which had been known as deferred shares were now to be called ordinary shares.²⁰⁶ In a second resolution the 300,000 unissued shares were to be divided into 200,000 5 per cent Cumulative Participating Preference shares, ranking when issued equal in all respects with the 150,000 shares Nos. 1 to 150,000 5 % Cumulative Participating Preference Shares which had been created by Resolution 1. The remaining 100,000 shares (numbered 50,001A to 150,000A) were to be called ordinary shares, ranking when issued equal in all respects with the said 50,000 shares Nos. 1A to 50,000A which henceforth were to be known as ordinary shares. The nominal capital thus became £500,000, divided into 350,000 preference shares and 150,000 ordinary shares all of £1 each.

Having increased the capital, the resolutions passed at this meeting also outlined new procedures by which the remaining capital would be issued. The company was authorized in a general meeting to be held in 1910 to pass a resolution capitalising the sum of £100,000, part of the balance of undivided profits

²⁰⁶ The revision of the Articles of Association are documented by the Canadian Agency file in the Bancroft Library, Z-G 2 Collection, Registrar of Companies Office, Bush House London.

remaining after payment of the dividends declared by the company in general meeting on the 9th March 1910, and may at such meeting pass a further resolution that such sum be appropriated and distributed by way of a bonus amongst the members of the company in accordance with their respective rights thereto under Article 7. On 18 April 1910 100,000 preference shares and 50,000 ordinary shares were distributed pursuant to the decision at the March 24 1910 meeting.

In 1911 the procedure which had been followed in 1910 to distribute £100,000 in profits was repeated. This allotment of shares completed the distribution of all the authorized shares of the company which was never expanded again before the liquidation of the Canadian Agency in 1914. It left the Grenfells firmly in charge with Rivy and Arthur Grenfell holding all of the ordinary shares. Arthur and Rivy Grenfell held 139,682 or 40 per cent of the 5% Cumulative Participating Preference shares.

Profitability

As the distribution of £200,000 in excess profits in 1910 and 1911 indicates, the Canadian Agency was profitable for its shareholders. During its first fiscal year, which ran from 14 July to 30 June 1906, the net profit was £43,767. In subsequent years the net profits, while fluctuating widely, were generally higher

Table Nine
Canadian Agency Profits
1907 - 1914

1907	£44,085
1908	£6,438
1909	£18,712
1910	£128,974
1911	£118,014
1912	£60,000
1913	£25,000

Source: "Official Receiver's Report on the liquidation of the Canadian Agency" Province of Alberta, Department and Consumer Affairs, Corporate Registry File F 563.

than any of the profits earned from its other ventures. One of the sources of income for the Canadian Agency would be from acting as an agent for these other companies, the details of which are to be provided in subsequent chapters. The fact that the Canadian Agency served as a holding company, ensured that it would not become too large. The profits made from 1907 to 1914 are indicated in Table One.

The Canadian Agency was also the fulfilment of Arthur Grenfell's desire to strike out on his own. Evidence mounted early that the result would be a repeat of the crisis in his personal affairs of 1902.

Chapter Six

The Western Canada Land Company

1907 - 1914

With Chapter Five having outlined the creation of the Western Canada Land Company, the purpose of this chapter will be to follow its development through to 1914. This review will look at the company's actual performance given its stated objective of selling 500,000 acres of western Canadian land based on the idea that railway construction plus immigration plus a declining supply of new land equalled high demand and high prices. This review will discuss the company's organization and management, land sales and profitability. The way the company dealt with its shareholders when it became apparent that selling land to settlers coming into western Canada was not producing the windfall profits which had been anticipated will be the final topic to be covered.

Organization and Management

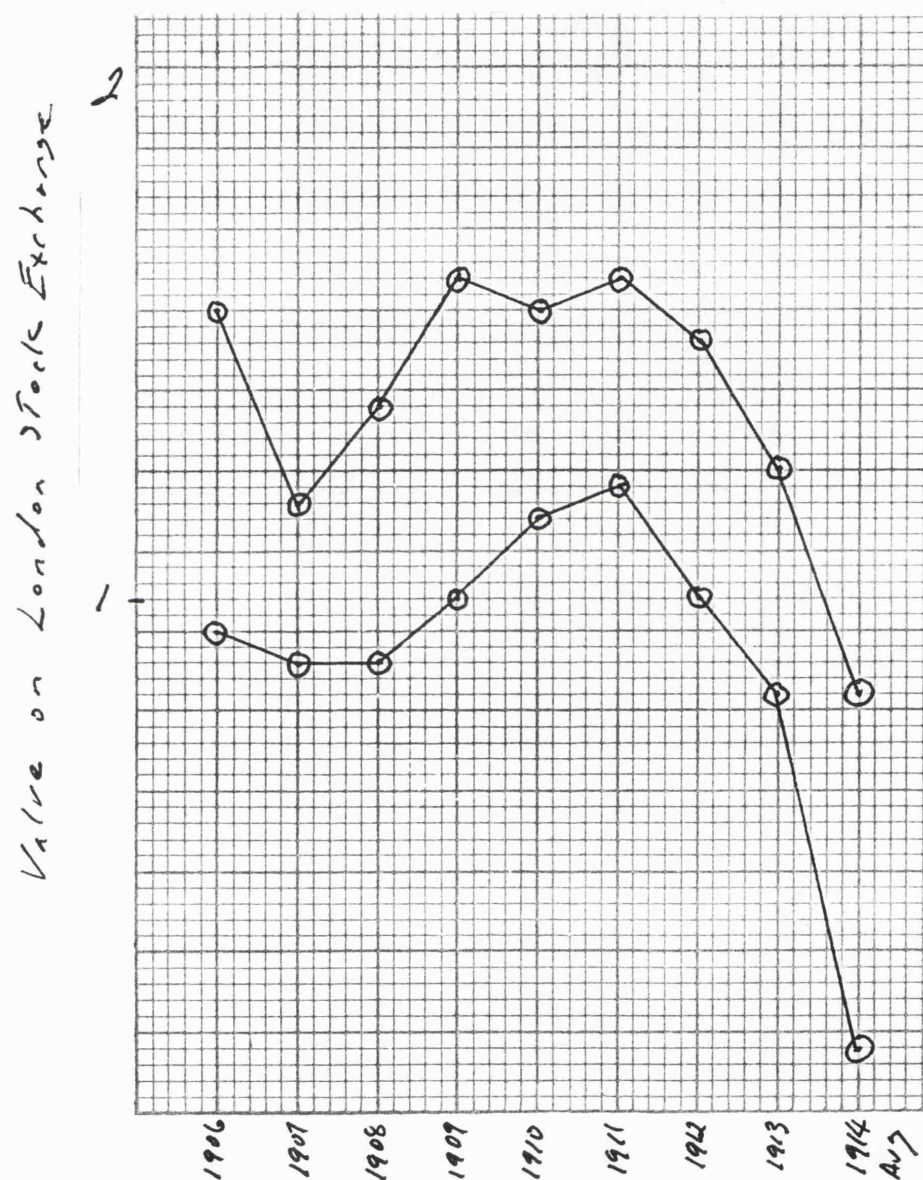
The Western Canada Land Company, while being associated with the Canadian Agency in a variety of ways, the most important of which being Arthur Grenfell's and Guy Stewart St. Aubyn's membership on the Board, did function as a separate corporation. The Chairman of the Board, Sir Ronald Bertram Lane, who had no association with the Canadian Agency which can be documented at this time, took a very active role in its management, chairing all annual meetings up to and including 1913 and making his own visit to Canada to examine the company's property in 1910. He

served as chairman from 1906 to 1914.

The stock of the company was also listed on the London Stock Exchange beginning in 1906, the first new Canadian land company since the Canada North West Land Company in 1881. Over the course of the next nine years its value would fluctuate as indicated by Graph One. As will be discussed later in this chapter, there was little reason for upward movement in the value of its shares.

Having established its head office in London and its links with the London capital market, the Western Canadian Land Company proceeded to extend its activities to Canada. The first step in this process was undertaken by Cecil Ward in the summer and early fall of 1906 when he arranged, during a trip to Canada, to have the property inspected, valued, titles transferred from the Canadian Pacific Railway to the Western Canada Land Company and those unsurveyed lands duly surveyed. The fact that 140,320 acres or 28 per cent of the land had not been surveyed indicated the extent to which the Western Canada Land Company had purchased a considerable amount of virtual wilderness which had only the rudiments of a transportation system which consisted of the Canadian Northern Railway line from Winnipeg to Edmonton. The construction of a system of secondary roads to facilitate land development in conjunction with the railway had only begun.

Having already appointed E.M. Robinson of Winnipeg as Canadian Manager and Nares, Robinson & Black as Canadian agents, there was no immediate need to make any further decisions about a sales organization for the land. While Robinson had the advantage



Graph One: Low and High Values of Common Stock on the London Stock Exchange of the Western Canada Land Company, 1906 - 1914.

of being an established western Canadian real estate broker, he was located in a city over 800 miles away from the actual location of the property of the Western Canada Land Company. The vast majority of the settlers who were the potential purchasers of this property would have travelled west to Edmonton before taking steps to acquire their land. The sales organization of the Western Canada Land Company during its early years at least was not in direct contact with its potential customers.

In 1907 the process of expanding the sales organization began when one-half of the company's lands was transferred to Col. A.D. Davidson of Davidson and McRae, another Winnipeg-based real estate agency who was expected to speed up land sales.²⁰⁷ Arthur Grenfell conveyed his expectations of Davidson to Earl Grey noting that "I hope to hand over a big amount of land for settlement this year."²⁰⁸ Col. Davidson was later replaced by an agent located at Edmonton. The first agent at Edmonton was W.H. Alexander who was replaced in turn in 1910 by H.M.E. Evans who served a dual role as the representative of the Western Canada Land Company and as the Canadian manager for the Canadian

²⁰⁷ Davidson and McRae, principal promoters of the Saskatchewan Valley and Manitoba Land Company, acted as general agents for the Canadian Northern Railway and Mackenzie and Mann in the sale of lands, townsites and properties in addition to promoting the growth of industries and immigration along the Canadian Northern Railway. They were the logical choice, given the fact that the Canadian Northern mainline to Edmonton ran through the area in which the Western Canada Land Company properties were located.

²⁰⁸ Arthur Grenfell to Earl Grey 12 April 1907. Earl Grey Papers, 4th Earl.

Agency. By 1911 land sales were being co-ordinated through the Winnipeg office of Robinson & Black and the Edmonton office of H.M.E. Evans.

The relationship between the company and its sales agents was governed after 1907 by a contract which made the agents responsible for all management expense and cost of advertising in Canada.²⁰⁹ The advantage for the Western Canada Land Company was that it could reduce administration costs since the only direct charges to the company in Canada would be for taxes and legal expenses derived from land transfers. The agents' salaries were provided for out of their share of the profits thus, their remuneration depended on their effectiveness in selling land. In addition to selling land, these agents also kept London informed on the overall state of the market as indicated by such factors as the number of enquiries for land. Throughout the history of this and most other companies, the Canadian agents always reported good news with no lack of interest based on the number of enquiries.

The terms of this contract were part of an overall effort to reduce the cost of the companies' operation which was a concern second only in importance to the shareholders to that of the amount of land sold. One of the costs of operation of particular concern was taxes which increased to £9,922 by 1909 compared to £1,534 for the previous year. Lane explained at the 31 March 1909 meeting that these taxes had been settled only recently by the

²⁰⁹ The Financial Times, 19 October 1907.

Government and represented charges covering the period from 1906 to 1909. Taxes as an element in the company's operating costs were expected to diminish as the land was sold. The size of the board of directors was also reduced by two as an economizing measure. By 8 April 1910 the operating expenses of the company had been reduced to £2,694.

Land Sales

The approach of the Company to land sales as understood by Arthur Grenfell, and presumably by Lane, was:

to sell as much land at between 8-10 dollars an acre [in order to recover] our capital expenditure & once we are in this position we may hold for higher prices, though I am entirely against holding up that part of the country it will pay us much better to take a fair profit, sell our land & look out for another good proposition.²¹⁰

The fact that this goal would not be attained immediately was evident in the first sales report to the shareholders contained in the circular letter of 10 April 1907. It indicated that during the period ended 30th March 1907 the company disposed of 32,102.18 acres of land for the sum of \$277,888.03 or \$8.65 per acre. Despite the fact that this was a satisfactory beginning for a new company, it greatly disappointed Arthur Grenfell who expressed his frustration to Earl Grey in a letter which also reveals again the sales strategy of the company which was not endorsed by all the members of the board.

²¹⁰ Arthur Grenfell to Earl Grey 13 May 1906. Earl Grey Papers, 4th Earl.

My Western Canada Land shares have rather hung fire owing to the small quantity of land sold. I am afraid that Robinson is probably too delicate & hasn't enough [hustle] to push the sales. We had hoped to sell 100,000 acres at least this year. but up to date he has only done 18,000 acres. We are I expect impatient & too anxious to get on. I think my friend Ward helped to muddle things as he seems to have given the impression that we wished to hold for high prices, that is not my idea - we got the land cheap & provided we secure good profits I am anxious to see it passed on as quickly as possible. The more people get into that part the more business there will be for us all. I shall have to "hustle" the local office when I get out.²¹¹

By the time the first annual meeting was held on 18 October 1907 the total volume of land sales covering the period from 6th February 1906 to 30 June 1907 had increased to 49,428.6 acres for which the company earned £87,229 6s 10d or £1 15s 3 1/2 d per acre. These land sales reduced the principal asset of the company to 450,000 acres but increased land values of \$9 to \$15 per acre had made the remaining property worth between over six million dollars.

In 1908 land sales dropped to 9,000 acres and in 1909 to 4,371.1 leaving an unsold balance of 436,612.6 acres as of 31 December 1909. The poor land sales during this period prompted the company to adopt a two-tier sales strategy in which sales of large blocks of land would be made to other land companies at a reduced price of \$8-\$9 while sales to individual settlers would be sold at a higher price of from \$12-\$15. This two-tier policy was firmly established by 1911 as indicated in a letter from the Western Canada Land Company to Robinson & Black in which

²¹¹ Arthur Grenfell to Earl Grey 26 August 1906. Earl Grey Papers, 4th Earl.

it noted that:

As we understand the position of the London Board they agree with our own views that the land should not be further picked over by speculators so that we are not prepared to sell small lots except to actual settlers. If any buyer came along for whole tracts at the advanced prices they put on the lands, we would be prepared to consider it.²¹²

The two-tier system reflects the existence of two land markets. The first market involved actual settlers who purchased land for the purpose of establishing farms. This was the market which the Western Canada Land Company claimed it had been created to meet. The other market was for the sale of land to other land companies which was a product of boom conditions and the one most vulnerable to collapse given a halt to the Canadian boom. This market attracted more short-term investment, was more affected by boosterism and more volatile as compared to sales to settlers. This was the new market to which the Western Canada Land Company had shifted its attention.

The sales of land to individual settlers continued to be slow throughout the period up to 1914. The only major land transaction which was part of a settlement scheme was a joint project with the Duke of Sutherland which involved the purchase of 1,350 acres at \$12. The Duke of Sutherland was arranging for the emigration of some of the best class of young farmers to go and settle on the land. To make the scheme specially attractive the Western Canada Land Company was following the lead of the

²¹² Western Canada Land Company to Robinson & Black 27 February 1911 H.M.E. Evans Papers. City Of Edmonton Archives.

Canadian Pacific Railway by erecting buildings and breaking up a portion of the land for each prospective settler so that he would be able to get a speedy return from his farm. This was the only settlement scheme in which the company participated.

The most success was achieved in selling land to other land companies with the first sale being the largest namely 200,000 acres to Powell and Lines in 1909 at an average price of \$8.25 per acre which represented a profit for the company of 60%. A local correspondent for the The Times made the appropriate points about this contract.

The purchasers are represented by two Canadians . . . and their object is to sell the land retail to settlers who are flocking into the prairie provinces faster than ever. This retailing of the land, however, is precisely what the company itself aimed at doing. Presumably the directors think that the new proprietors being on the spot are more likely than a London company's local agents to succeed in effecting sales. . . The price has not been officially disclosed; but I have reason to believe that when it is paid the shareholders will find that the whole of their capital has been returned to them while they will remain in possession of 300,000 acres . . . the proceeds of which, as it is sold, they can regard as clear profit.²¹³

The other advantage of this sale was that the money earned was free from all commissions and did not include the mineral rights to the property. While the management presented this agreement as the fruits of the company's policy of waiting, it was another way to permit the company to recover its capital. The Powell and Lines contract rather than one to purchase land, appears to be similar to other land sales contracts which the

²¹³ The Times, 22 March 1910

Table Ten
Western Canada Land Company Land Sales
1907 - 1914

Year	Sales	Balance of Land Unsold
30 June 1907	49,423.80	450,577.0
31 Dec. 1908	9,693.50	441,883.5
31 Dec. 1909	4,371.1	436,612.2
31 Dec. 1910	86,092.77*	351,419.63
31 Dec. 1911	3,743.43	347,564.2
31 Dec. 1912	51,881.64**	295,682.56
31 Dec. 1913	9,869.56	285,822.0

* Includes sale of 50,000 acres to Powell and Lines

** Includes sale of 47,955.98 acres to Powell and Lines

Source: Annual Reports Western Canada Land Company, 1907 to 1914.

company had with the people in Winnipeg since they did not agree to purchase the land outright but rather to act as agents for the Western Canada Land Company. As Lane explained, the contract had been drawn up in the form of an agreement by which the purchasers undertook to sell land in blocks of not less than 50,000 acres a year.²¹⁴ The agreement also required that the purchaser to pay to the Western Canada Land Company a substantial deposit as a guarantee. As Lane explained at the 1910 annual meeting this contract would provide the shareholders with a profit over the next four years while allowing the company to hold what it considered its more valuable land near Edmonton which would appreciate in price. Lane said that land would not be sold to individual purchasers for less than \$12-\$15 an acre. The company, he indicated, was going to concentrate its efforts on the land in the immediate vicinity of Edmonton. He went on further to indicate that the company would take a more aggressive approach to land development. While indicating that the company would now be assisting in the development of the country in every possible way, he was not specific as to what projects would be undertaken. This contract thus determined the future policy of the company.

A second contract was with the Edmonton Land Syndicate which purchased 34,000 acres at \$9 cash or \$9.25 on the usual

²¹⁴ A copy of this agreement has not survived amongst the records of the company this leaving Lane's comments as reported in The Financial Times article on the meeting as the only source of information along with some brief references in the Evans Papers.

instalment plan which represented a profit exclusive of mineral rights of 80%. The Edmonton Land Syndicate was a subsidiary of the Canadian Agency.

A third contract was with the Anglo-Canadian Land Company. This company was registered September 25 1912, in reconstruction of the Anglo-Canadian Lands Limited, registered November 17 1910. It purchased 58,506 acres of farming land in the Vegreville district west of Edmonton. The directors of the company were F. Johnson (Chairman), R.H. Ballantine, Earl of Clanwilliam, Col. F.G. Talbot, D.S.O., and J.R. Tennant. The company was based in London with its offices at Finsbury Pavement House, E.C.

The use of the two-tier land sales system gave the appearance of improved company performance which was reflected in later annual meetings. At the annual meeting held on 24 April 1911, the directors reported that the land sales for the period under review were 86,092.77 acres for £146,085 0s 4d, at an average price of £1 13s 11d or \$8.22 per acre. Land sales to 1911 left a balance of 350,841.43 acres of which 148,984 acres had been sold under contract to Powell and Lines. Under the terms of this contract, Powell and Lines had to purchase this property before April 1914. The company's land holdings were indicated as being 350,841 acres. Given the Powell and Lines contract the company report indicated that it would have sold all but 185,822 acres by 31 May 1914.

Financial Affairs and Profitability

Despite slow land sales and higher than expected operating

expenses during its early years of operation, the general financial health of the company was good during this period with a reserve of £62,000 after its first year of operation. Other satisfactory aspects in the company's operation as indicated by the accounts was the reduction of the loan from Chaplin, Milne, Grenfell & Co. from £27,000 to £17,000 which was incurred in order to pay for the land in cash.

After deducting agents' commissions, this left a net profit for the first year's operations of £28,900 which was equal to nearly 6 per cent profit on the original purchase price of the land. When interest on instalments for land sold, interest received on cash placed on deposit pending completion of purchase and transfer fees were added, the total profit was £33,148. Given the very healthy financial position of the company, the Directors felt justified in recommending the payment of a dividend of 1s per share because:

a company like this differs altogether from the ordinary industrial company, inasmuch as it does not require working capital, and we have no object in keeping a large reserve. Having therefore earned a profit your directors did not feel justified in recommending you to carry forward your profits even though this is the first year and there is always a temptation to directors to keep a large balance at the bank. The company does not require the money and we feel therefore that we are only acting in the interests of the shareholders in recommending you to declare a dividend.²¹⁵

The poor results of the land sales from 1907 to 1909 had its inevitable effect on the profitability of the company causing the

²¹⁵ The Financial Times, 19 October 1907.

company to have second thoughts about this dividend. As Lane explained at the 30 March 1909 annual meeting, it was:

a mistake not because the dividend had not been earned but because subsequent events have proved that we were not able to earn the dividend in the succeeding twelve months and I fear therefore we probable raised false hopes in the minds of the shareholders.²¹⁶

The "false hopes" were raised by the prospectus and the comments of the board of directors at the annual meetings.

With the negotiation of the large land sale contracts, the funds available for payment of dividends increased. In 1910 the company had made a profit on its operations of £50,000 which together with the £7,000 brought forward from the previous year provided a total of £56,896 for distribution to the shareholders. Given the strong financial position of the company, the board of directors recommended the payment of a 5 per cent dividend or 1s per share. In response to a shareholder's concern that this was too small an amount, Lane noted "that since the company had entered the dividend-paying list, it [was] better to adopt a conservative policy and have a substantial reserve in hand to provide for future years."²¹⁷ The Board of Directors recommended that an amount equal to another years dividend be placed in reserve. Given this reserve and the contract for the sale of the balance of the 200,000 acres the company could show a profit without having to take into account revenue from future

²¹⁶ Ibid. 31 March 1909.

²¹⁷ Ibid.

sales. A dividend of 5 per cent was paid in 1911, 1912 and 1913.

By 1910, however, one of the features of the balance sheet was the debts to the company owed by individuals who had purchased land on the instalment plan. These contracts could cover a few months to a number of years. The advantage for the land company given a healthy land market was that it could charge interest on the unpaid balance. Another advantage was that since the title was not transferred until the purchaser had met the terms of the contract, any default on his part meant that the Western Canada Land Company could keep any monies paid as well as the land which could be sold for a second time. This amount rose from £65,910 in 1910 to £165,000 in 1911 and then fell to £135,000 in 1912.

Shareholders

The above discussion has indicated that the company was unsuccessful in disposing of its land quickly and it has also suggested some of the efforts to deal with this problem such as expanding its sales network and disposing of large parts of its holdings to other land companies. The management, particularly Lane and Grenfell, showed great creativity in explaining the situation to the shareholders and the business community generally in London through newspaper coverage of the annual general meetings.

One of the most important of these strategies was to repeat ad nauseam the optimistic predictions for the development of western Canada. The use of this method to placate the

shareholders began in March of 1907. The circular letter of 30 March 1907 indicated that:

it was anticipated that the rush of settlers into the Dominion will exceed past records, and that the demand for agricultural land will be correspondingly great especially by the farmers from the United States who are tempted by high prices obtainable for their present holdings are selling improved properties with the objective of investing their profits in the purchase of land in Western Canada, the prospective value of which they are fully alive to.²¹⁸

Despite these problems, the Directors ended on an optimistic note indicating that "notwithstanding the late harvest, this year's crop will prove exceedingly valuable to the farmers, and that the prospects for sales of agricultural lands are distinctly encouraging."²¹⁹

This optimistic approach was continued through to the first annual meeting when Lane indicated that many inquiries were being received and that the market for the current year was less competitive because American land agencies were being kept out of the field temporarily by monetary conditions. Having completed his presentation, Lane turned the meeting over to Arthur Grenfell who had recently returned from a trip to Canada. In his presentation he reflected upon the good position of the company and passed on his very positive impressions of Canada gained from his recent trip. While in Canada he had talked to the company's agents Mr. Robinson and Colonel Davidson who reported that they

²¹⁸ Guildhall Library. Financial Reports, 1906-07, S-2.

²¹⁹ Ibid.

had been receiving many inquiries for land and thus expected large land sales in the fall. The board of directors consistently got encouraging news from the officials in Canada who could always describe any circumstance in the company's favour. In extolling the virtues of Canada, Grenfell had very specific information on how Canadian prosperity would work to the benefit of the Western Canada Land Company. While in Canada he noted that agricultural land in Quebec and Ontario ranged in price from \$50 to \$100 per acre compared to western Canada where it was being sold for \$8 an acre. The advantage for the Western Canada Land Company was obvious since as Grenfell noted "what one sees in Ontario and Quebec to-day is certain to be repeated in Western Canada later on".²²⁰ This was the first reference to his view of the current trend in Canadian land values which would later be expanded and endorsed by other company officials such as Lane and by individual shareholders.

Grenfell then returned to the subject of the prices of agricultural land pointing out that unlike urban land, rural land had not risen too high since prices would be controlled by the value of the crops which could be raised on the land. This comment was intended to indicate that there were no signs of what Grenfell referred to as "overtrading". Using this definition of land value as an indication of productivity, Grenfell then proceeded to discuss the income of farmer which would depend on the quantity of grain grown and its price. In terms of the

²²⁰ The Financial Times, 19 October 1907

Saskatchewan Valley where the company lands were located, yields had been excellent because of the fact that this region, unlike the rest of western Canada, had not had a drought. Yields of 50 bushels an acre for wheat and 100 bushels for oats were reported. Given the fact that wheat was being purchased for \$1.10 a bushel, the price of land was very cheap relative to its value. It was even more of a bargain when compared to land in Manitoba, Minnesota and Dakota which yielded small crops but was more expensive. The low price of land, therefore, in a developing region, was indicative of its value in producing crops and thus income for its owner. The appeal of land on the frontier was that it was undervalued compared to its productivity. In later presentations he would expand on the idea that the settlement process in North America was creating overvalued land in the older areas of North America and undervalued lands in the frontier areas. The land in the older areas was overvalued because of its lower productivity while the land on the frontier was undervalued because of its high productivity. The investment strategy was thus to acquire this cheap frontier land and then earn an income from the realization of its increasing value.

Grenfell then discussed the valuation of lands in a newly developing country relative to the supply and demand, and that what makes an investment in west wheat lands attractive is "the knowledge that the supply is ever decreasing whereas the demand, taking an average of years is always increasing".²²¹ Thus

221 Ibid.

Grenfell argued that as the land in other areas such as Manitoba and the American mid-west became overpriced and unproductive, the cheap and fertile lands of western Canada would come to dominate the world wheat market. Grenfell argued that because the farmer in western Canada "could grow the best and cheapest bushel of wheat, . . . sooner or later this ability would give him the control of North American wheat production".²²² While there might be variations in the demand for land, it would always retain its value. Given this situation, Grenfell assured the shareholders that:

your security is safe . . . There might be lulls in the purchasing of lands by farmers, but they will only be temporary. The demand for good wheat lands will recur with ever-increasing volume as surely as one tide succeeds another.²²³

The inherent value of western Canadian land would be maintained irrespective of the volume of land sales.

Grenfell's description of progress in Canada was also intended to deal with any anxieties which the shareholders had stemming from the financial crisis of 1907 in the United States which had only been briefly referred to by Lane. It was necessary, Grenfell told his audience, "to disabuse your minds that conditions prevailing in the United States are those which must prevail in Canada".²²⁴ Grenfell argued that Canada might

²²² Ibid.

²²³ Ibid.

²²⁴ Ibid.

be slower and more conservative but not "subject to the hysterical ups and downs of the United States".²²⁵ Other advantages of Canada were that its economy was not subject to the shock of a presidential election every four years and it had a good banking system. He did not expect, therefore, that Canada would be affected by the economic crisis in the United States.

In addition to the agricultural potential of the company's property, Grenfell reported the discovery of a 9 foot thick seam of coal which ran across part of the company's land "which may prove of importance in attracting settlers as there is not much fuel in that part of the country".²²⁶ The land to the north of Edmonton had oil reserves which surveys of the Government showed to be superior to similar ones in Texas. In addition to oil there were gas reserves and a seam of asphaltum some 30 feet thick which was 21 per cent petroleum. The mineral rights to the land could thus prove to more valuable than their use for agricultural purposes.

The company also had the advantage that the transportation infrastructure which was required to develop the wide range of resources of the region was under construction by the Canadian Northern and Grand Truck Pacific Railway. In the wake of this, railway construction towns would emerge which would be of further benefit to the company. Grenfell concluded that it was:

difficult, therefore, to gauge the possibilities

²²⁵ Ibid.

²²⁶ Ibid.

of our company; but I hope I have said enough to show you that, without relying on anything except the value of the land as agricultural land, we have a extremely valuable property and one which offers both good security and the certainty of a very large profit.²²⁷

Grenfell, while being very impressed with the possibilities of Canada, made no suggestion that the Company should do anything other than wait for the appreciation in the value of its estate which had been the reason for creating the company in the first place.

At the second annual meeting the management was faced with having to explain even lower levels in land sales. Lane provided two reasons for this trend at the 30 March 1909 meeting the first of which was the conditions in the United States. As Lane explained:

the big buyers of western Canada land are the farmers of west America who were selling their overvalued and unproductive land and joining the northern exodus to the more fertile and cheaper lands in Canada. The direction of this exodus, however, was being affected by the efforts of American authorities to redirect this flow into the southern states.²²⁸

Another factor which discouraged American participation in the western Canada land market was the dislocation of credit and business in the United States owing to the panic of 1907. Farmers in the west as a consequence were unable to "get in their money or to borrow and almost like a flash the land selling business in

²²⁷ Ibid.

²²⁸ Ibid. 31 March 1909.

Canada came to a sudden check".²²⁹ This problem, however, had been solved and as usual the company had high expectations for the future.

The second major cause for the delay identified by Lane was the Canadian Government's decision to place a large amount of homestead land on the market. Therefore there was not a declining supply of land. In discussing the Government's decision, Lane indicated that

the usual policy of the Government has been to give these homesteads free to a limited number of genuine settlers and workers on the land but a change of policy was inaugurated last year and with a view to raising funds, the Government threw open in a wholesale manner large blocks of land and sold them at \$5 an acre.²³⁰

In an effort to portray this event as being beneficial, Lane indicated that this represented the last amount of land which the Government had available to distribute. The homestead plan had been deliberately designed to achieve this objective. This event was portrayed to the shareholders as unusual when in actual fact the whole homestead program had been created to achieve this purpose.

Lane then went into a discussion of the overall homestead program and its implications for the operation of private land companies. He noted that a recent article in a prominent newspaper discussed a statement by an official of the Dominion

²²⁹ Ibid.

²³⁰ Ibid.

Lands Department which stated that reliable figures showed that only 200,000 homesteads remained in the prairie provinces. This figure, in Lane's opinion, showed the rapid diminishing of the public domain in the Canadian West. Given the fact that 40,000 homesteads had been taken up in 1906, Lane calculated that within five years the free homestead would be a thing of the past. Given the rapid absorption of free land into the western Canada land market, Lane predicted that it would result in "much higher prices than even optimists of the present contemplate".²³¹

In a further effort to console the shareholders Lane then went into some detail about the expansion of the railway network in the areas occupied by the lands of the company. He announced that a charter had just been granted to the Canadian Northern Railway to construct a line from Vegreville to Edmonton which ran through the company's estate.

Lane concluded by appealing to the shareholders for patience.

We must have absolute faith in the value of our property, and I am confident that, if patience is exercised and these lands are not disposed of in too great a hurry, the price realized will mean a return of capital several times over. The longer we take in selling the land the bigger will be the price we shall eventually receive for estate. Falling off in land sales should not, therefore, unduly affect us, as such falling off can only enhance the ultimate value of our estate."²³²

Arthur Grenfell then took the floor and carried on with

²³¹ Ibid.

²³² Ibid.

Lane's discussion of the low level of land sales citing the experience of the Qu'Appelle Land Company. He repeated the argument presented at an earlier meeting that higher land values were the inevitable result of the settlement process and that the company would eventually reap the rewards.

The meeting was then turned over to the shareholders. The first to speak was a Mr. Allan who commented that he had listened to the comments of the chairman and Grenfell on the prospects of the company "but as shareholders it was not their forte to wait 20 years for their profits".²³³

The critical comments by this one shareholder and Lane's response were followed by further comments by the management, this time from R.H. Alexander the company's agent in Edmonton. He repeated the arguments that the country was rapidly developing and that if the shareholders waited things would be all right.

The meeting concluded with comments of John Fisher who indicated that he was a large shareholder and fully supported the company in its argument that great profits were ahead. Instead of selling his shares when the price was falling he had kept on buying, and "he should like to see the company hold their property for the next three years as in his opinion the land would be worth three times the amount then than it was today".²³⁴ Fisher based his recommendation on 25 years experience in the Canadian land market. In his view:

²³³ Ibid.

²³⁴ Ibid.

Canadian land had increased wonderfully in value during the last five or six years, and he thought it more than probable that within the next three years their shares would be worth many times their present amount. He had been watching Canadian affairs pretty closely in connection with other matters. He had been in Canada at least 30 times, having, in fact, resided there for nine or ten years, and he was quite prepared to wait for the realisation of their property.²³⁵

The Western Canada Land Company held its next annual meeting on 8 April 1910 at which the approach of patiently waiting was abandoned. The land sale of 200,000 acres to Powell and Lines was part of a new strategy announced by the Board of Directors which had several schemes under consideration "whereby the company's large land holdings might be more actively developed, and have decided that the most advantages way to secure these ends, would be by encouraging the establishment of local industries".²³⁶

The Board of Directors also announced at the 8 April 1910 meeting that its first contribution to the establishment of local industry had been the acquisition of a large coal field. Since it was in the immediate vicinity of the company's lands, they would be enhanced considerably by the development of a coal industry in the district. Prior to making their proposal to the shareholders, the Board of Directors arranged for an independent assessment of the mine by Messrs. Bainbridge, Seymour & Co. of London and Sheffield. Their report was very favourable on the prospects for coal development at this location. The coal

²³⁵ Ibid.

²³⁶ Guildhall Library, Financial Land & Investment Reports, 1909-10 S-2

reserves were practically inexhaustible amounting to 236,000,000 tons and, given the transportation facilities available, the quality of the coal and the close proximity of a domestic market in Edmonton "the prospects are entirely encouraging and that well-equipped collieries with adequate capital should do an exceptionally satisfactory business".²³⁷

It was estimated that £200,000 would be required to purchase and equip the mine for an initial output of 300,000 tons a year, estimated to yield a profit of £45,000 per annum. In recommending the scheme to the shareholders the Board felt that it was in the best interests of the company and given adequate working capital they considered that large profits would accrue to the company "from a participation in the general development which is making rapid progress throughout the western provinces of Canada".²³⁸

The Pembina coalfield which was designed to allow the Western Canada Land Company to participate in a broader range of economic activities in western Canada was also discussed by Lane at the 8 April 1910 meeting. He began by noting the very favourable reports by the English engineers of the "very highest standing and ability" who had indicated that the supply was practically inexhaustible and superior to any coal which could compete with it. Based on a projected market demand of 600,000 tons, the company had opted for a conservative approach by

²³⁷ Ibid.

²³⁸ Ibid.

planning to produce only 300,000 tons from which they anticipated a profit of £45,000 per annum.

Arthur Grenfell's statement seconding the motion to accept the directors' report reviewed the financial impact of American immigration into western Canada. He estimated that American immigration contributed \$180,000,000 of wealth to the west and that the value of the wheat crop contributed a further \$120,000,000 of wealth to the region. However, lack of funds prevented the company from participating "in the prosperity for which others from the United States are rushing so anxiously to secure".²³⁹ While Grenfell acknowledged the concerns of some shareholders that the company should not depart from the business of a mere land-selling company, he hoped that after an explanation of the proposal to raise more money that "we give up looking at other people picking the fruit and that we should do all that we can to establish this company on a sound and lasting basis".²⁴⁰

The Directors' financial proposal was to increase the capital of the company from £500,000 to £800,000 and to issue £300,000 of 5% debenture stock. Here was a company that had already demonstrated that it could not accurately predict the future and had only declared a dividend two out of its four years of operation proposing to incur further debt.

The meeting was then turned over to the shareholders who had

²³⁹ Ibid.

²⁴⁰ Ibid.

various questions including one from Mr. Gubbins who asked why the revenue from the sale of the 200,000 acres was not being used to purchase and equip the coal mine? He also thought that the estimated profit of 3s a ton, which would be necessary on 300,000 tons in order to yield £45,000 a year, was rather high. There were very few coal mines in England that yielded that rate of profit.

With the unanimous approval of the shareholders the Board of Directors proceeded with the issue of £300,000 worth 5% of debenture stock. The subscription list opened on 11 April and closed on 14 April. The prospectus summarized the history of the company and provided the necessary details of the purposes for which the money was being used. An issue of £300,000 5% debenture stock of the Western Canada Land Company was announced on 9th April. In addition to its other lands, it had recently acquired the Pembina coalfields 60 miles west of Edmonton comprising about 10,400 acres which would be transferred to a subsidiary company in which a controlling interest would be retained. It was to finance this purchase and to provide further capital for a scheme of land improvement and development that this present issue was made. Including the £115,000 to be set aside for this purpose, the assets were valued at a total sum of £1,086,600 so that an ample margin of security is afforded. The bonds were repayable at 105 % in 1934. By way of a bonus, every subscriber was granted an option to take up an equivalent or ordinary shares at the price of 35s per share.

Diversification of the company's activities continued in 1911 when it announced at the 24 April meeting the establishment of an "experimental farm" which the company claimed had already attracted settlers to the district. What the company called an experimental farm was simply a farm which was operated by the company as a demonstration of the agricultural potential of the area.

In 1911 the company extended its diversification program to include the land mortgage business. As the report noted "the company has taken advantage of the favourable current rates to lend part of its funds on well secured mortgages in Canada and has made arrangements for the further extension of this business".²⁴¹ The Western Canada Mortgage Company was incorporated in Alberta on 1 June 1911. It had a capital of \$2,500,000 in 25,000 shares of \$100 each, all of which were issued to the shareholders of the company which were The Western Canada Land Company which owned \$2,400,000 and H.M.E. Evans the company's local representative who owned \$100,000.

The success of the program of diversification was described by Lane during the meeting of 24 April 1911. At this meeting he reviewed his personal visit to Canada during which time he met the company's new agent in Edmonton, H.M.E. Evans. During this tour he inspected company lands in the Edmonton district, the experimental farm, and the Pembina Coal Mine, and was very

²⁴¹ Western Canada Land Company, Annual Report 1910 Guildhall Library, Finance, Land and Investment Reports, 1910-11, S-2.

favourably impressed. He believed that the experimental farm would not only be a paying proposition but that its chief use would be in showing farmers on adjoining land not only what could be done but also be an incentive to them to improve their farming and would encourage a higher class of farming both in stock and grain. Lane noted that the positive effects were already evident because several homesteaders who owned land in the area who were inclined to abandon their land had returned to their farms, thus enhancing the value of the whole district. Lane was equally impressed with the progress being made at the Pembina Coalfield which was being managed for the company by a "man of long and exceptional experience in coal mining in western Canada".²⁴²

Lane's comments were followed by those of Arthur Grenfell concerning his trip to Canada in which he had travelled over much of the same territory and come back with the same impressions. In terms of the Pembina River holdings Grenfell reported that this land was strategically located in terms of the future development of the country. The development of this land was part of the shift of the company to the Edmonton area. He suggested that the Western Canada Land Company:

should have prepared a really good map of that district showing exactly whose lands are occupied and whose lands are for sale as I persuaded myself that if a proper policy of concentration were laid down, with all our money and all our credit and prestige in this country we should be able to establish a very successful scheme of emigration from this side.²⁴³

²⁴² The Financial Times, 25 April 1911.

²⁴³ Ibid.

Other efforts at diversification included the creation of the Peace River Trading & Land Company and the Great West Supply Company. The former was incorporated in Canada on 30 August 1911 with an authorised capital of \$1,000,000. It operated a number of fur trading posts in northern Alberta in addition to operating a steamboat on the Peace River named after Arthur Grenfell. This was another example of the company participation in the general development of the country.

The Great West Supply Company was incorporated under the laws of Alberta on 30 August 1912, with a capital of \$50,000, divided into 500 shares of \$100 each. This was also another example of the company getting out of the land business and participating in the general development of the country. It was part of the ongoing effort to concentrate on Edmonton which had been a product of the trip to Canada by Lane and Grenfell. This company was engaged in supplying building materials.

The Western Canada Land Company became the first of the Canadian Agencies network of companies despite the fact that it was created before the Canadian Agency itself. It was originally intended to be a short foray by Arthur Grenfell into the western Canadian real estate market. His comments to Earl Grey about the creation of the company and his expectations to sell 20% of the estate during the first year of its operation is evidence of this fact.

The prospectus clearly indicates that the Company was typical in that it was investing in a region with good

agricultural potential which was in the process of being settled. The Company also made use of established marketing structures which saved it the necessity of having to establish its own organization. The sales organization could always be depended upon to provide positive information consistent with the boosterism of the period.

The failure of the Company to obtain windfall profits, however, forced it to re-adjust its expectations as to the pace at which the process of settlement would force up land values. This lack of demand for its land was clear evidence that the pace of development was actually slower than the boosterism would indicate. The low land sales should have been an indication of the need for a policy of retrenchment. The management, however, pursued a policy of encumbering the Western Canada Land Company with further commitments in anticipation that the boom would ultimately deliver the anticipated results in terms of actual demand for land, coal and building supplies.

Chapter Seven

Southern Alberta Land Company

1906 - 1912

This chapter will outline in some detail the creation of the Southern Alberta Land Company, the construction of the irrigation system, urban and rural land development, company accounts and its relationship to its shareholders. As with the Western Canada Land Company, the intent will be to examine the purpose for which the company was created and the actual results achieved towards that goal.

Creation of the Southern Alberta Land Company

With the organization of the Canadian Agency and the Western Canada Land Company, Arthur Grenfell undertook his second major western Canadian land investment in the spring of 1906 when he and his business associates became involved in a large irrigation scheme in southern Alberta. The first documented indication of his interest in this project is a letter written in May 1906, in which he informed Earl Grey that he was looking into an irrigation scheme in an area 40 miles from Medicine Hat, Alberta which seemed attractive though he admitted to not yet having sufficient data to form an opinion.²⁴⁴ The project, as described by Arthur Grenfell at this point, involved the Grand Forks Rancho Company which leased land from the government which was to be purchased at three dollars an acre. Two dollars per

²⁴⁴ Arthur Grenfell to Earl Grey 13 May 1906. Earl Grey Papers, 4th Earl.

acre was to be returned upon the successful implementation of an irrigation system.

Grenfell's interest in this project and knowledge of the area would have derived from his contacts with the Canadian Pacific Railway and the Alberta Railway and Irrigation Company. Both of these companies which raised their capital through London were developing major irrigation projects in the area between Medicine Hat and Calgary. Grenfell's direct link with southern Alberta was probably provided by Guy Tracy Robins, a London stockbroker who spent some time in the Medicine Hat area in 1906 and who made a formal application to implement an irrigation scheme in the area immediately west of Medicine Hat in March of that year.²⁴⁵ This application may have been made on Grenfell's behalf. While the contact between Guy Tracy Robins and Arthur Grenfell cannot be fully documented, evidence does exist that indicates that Arthur Grenfell played a role in originally conceiving the project and that he wanted his involvement initially to be kept secret in order to avoid any accusation of conflict of interest against his father-in-law in his role as Governor-General of Canada. As Arthur explained in a letter to Earl Grey:

I did not like mentioning this to you before, as you had to sign the bill & I thought it made it easier for both of us if I was not directly concerned until

²⁴⁵ For a discussion of the role of British citizens on tour who brought information on investment opportunities back to London see Ranald Michie "The Social Web of Investment in the Nineteenth Century." International Review of the History of Banking No. 18. (1979) pp. 170-173.

the political part was done but though I sketched out the plan. I took no part in the succeeding negotiations
246

The negotiations for the acquisition of the land involved Guy Tracy Robins, Guy Stewart St. Aubyn and Canadian businessmen A.E. Hitchcock, James D. McGregor and E.H. Cuthbertson. McGregor and Hitchcock were involved because they were the major shareholders in the Medicine Hat-based Grand Forks Cattle Company. A.E. Hitchcock was also a member of the Moose Jaw based-banking firm of Hitchcock & McCulloch. Cuthbertson eventually became involved because he was a rival irrigation promoter in the Medicine Hat area. On March 10 1906 he applied to purchase a tract of land under provisions of the North West Irrigation Act located north of the South Saskatchewan River, west of Medicine Hat, which encompassed the grazing leases of the Grand Forks Cattle Company.

Prior to June 1906 Hitchcock, McGregor and St. Aubyn became business associates through St. Aubyn's acquisition of \$5,000 worth of shares in the Grand Forks Ranch Company.²⁴⁷ With St. Aubyn having become a formal part of the Grand Forks Ranch Company, Hitchcock, McGregor and St. Aubyn commissioned J.G. McIntosh formerly Assistant Chief Engineer of Irrigation for the

246 Arthur Grenfell to Earl Grey 26 August 1906. Earl Grey Papers, 4th Earl.

247 Prospectus of the Southern Alberta Land Company October 1906.

Canadian Government to prepare a report on the project.²⁴⁸ This was one of five major engineering studies which would be undertaken on this project by 1914. Based on the contents of this report, which was received on 12th June 1906, Hitchcock, McGregor and St. Aubyn proceeded with the creation of the Robins Irrigation Company with Guy Tracy Robins lending his name to the company but not playing any significant role in its affairs. The Robins Irrigation Company was an unregistered syndicate rather than an incorporated company in which McGregor had a two-ninths interest, Major St. Aubyn a one-ninetieth interest with the balance being held by Hitchcock.²⁴⁹ The Robins Irrigation Company incorporated both Cuthbertson's and Robins' original applications made in March 1906.

On 26 June 1906 the Robins Irrigation Company concluded an agreement with the Government of Canada by which it acquired approximately 380,573 acres of land in southern Alberta. The price to be paid to the Government for the property was \$3 per acre, with the Robins Irrigation Company having the right to deduct the cost of the irrigation works to an amount not exceeding \$2 per acre if the company in turn irrigated 25 per

²⁴⁸ This report is referred to in the first prospectus issued in October 1906 by the Southern Alberta Land Company. A copy of the contract which the Grand Forks Cattle Company had with McIntosh nor his report have survived thus it is difficult to determine the extent to which he prepared a detailed engineering scheme for the project. The contents of McIntosh's report is particularly important given the later construction delays.

²⁴⁹ Stotyn "The Development of the Bow River Irrigation Project, 1906-1950" p. 40.

cent of the total amount of land received. These were the terms which Grenfell had anticipated in May 1906. The first payment of the purchase price was not due to the government until 1 July 1910 with the balance payable in five annual instalments with interest at 5 % from that date.

The successful compliance with this contract would provide the company with its land base for \$1 an acre. Unlike the Western Canada Land Company, this project involved a major capital investment in land development. This was a more ambitious project since it involved the implementation of a comprehensive regional development plan involving both rural and urban land.

Grenfell's formal participation in the project began in July 1906 after the Robins Irrigation Company had acquired the land for the project. At that time he commissioned an independent review and arranged for a valuation of the assets of the Grand Forks Cattle Company. The purpose of his review was to analyze the Robins Irrigation Company's scheme as an investment opportunity for the Agency and to provide an independent valuation of the scheme for use in subsequent transactions.

Even before this investigation was completed, Arthur Grenfell had already convinced himself of its great potential as indicated in the following quotation from a letter to Earl Grey:

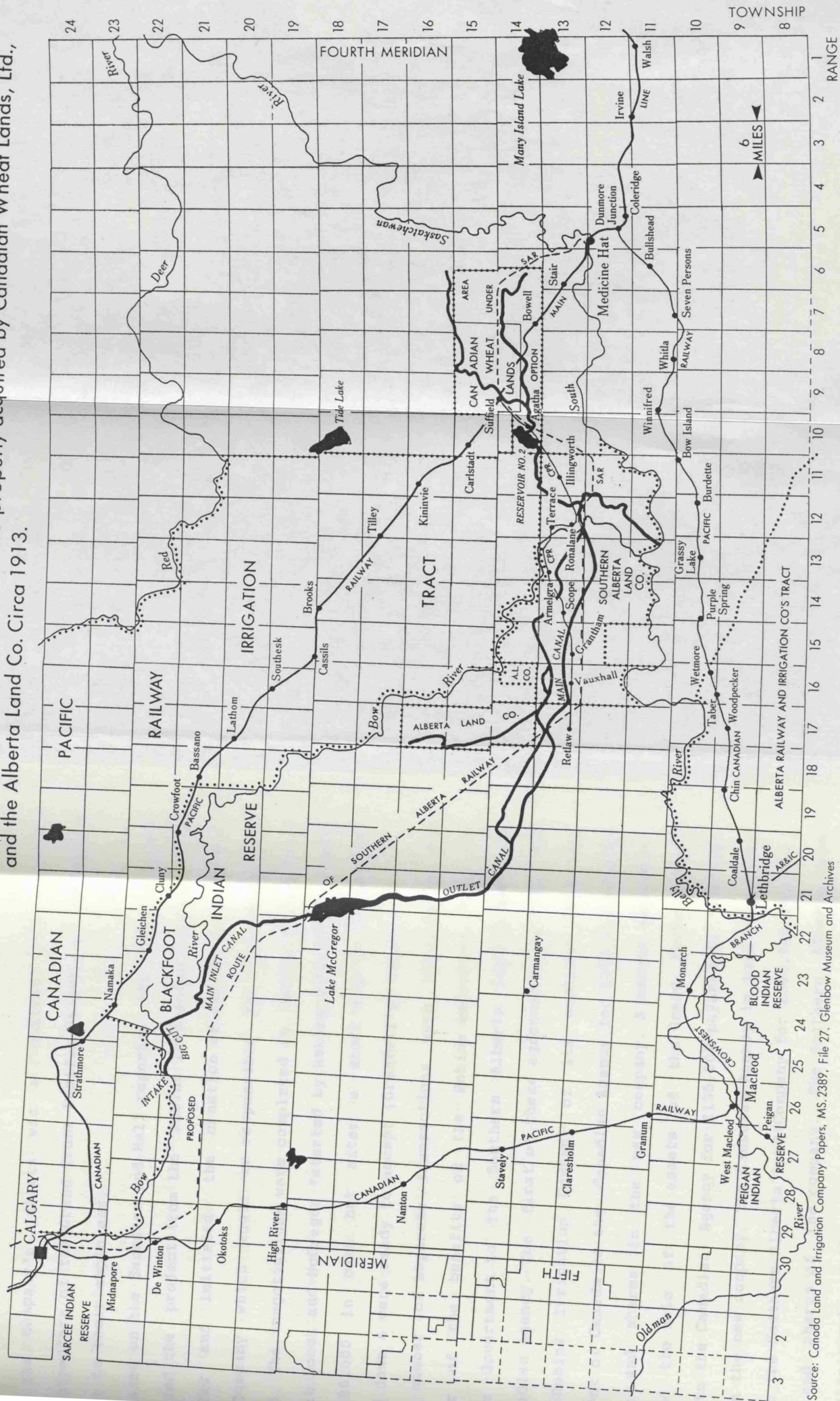
My contract depends on my expert certifying amongst other conditions that the assets as a whole should give a probable profit of £400,000 i.e. the whole concern to be worth £800,000 - I have estimated on 180,000 [up to] 400,000 [acres] being irrigable. . . & being worth \$12 an acre after irrigation but Nanton advises that the CPR lands are selling at \$18 to \$25 & some of the Alberta [Land and Irrigation Company land

was selling] at \$35 [an acre]. We shall I hope develop a big business with our own sugar factory if Hitchcock is not too optimistic There seems little doubt that the shares will show good value.250

The preparation of the report on the irrigation project was undertaken by B.J. Saunders an irrigation consultant and former surveyor with the Department of the Interior. Saunders' report, which was submitted on 6 September 1906, fully endorsed the scheme presumably outlined in the McIntosh report and provided estimates on the capital investment required and the return on this capital. Saunders estimated that only \$500,000 would have to be raised for work to commence with remaining funds becoming available through the sale of land and the assets of the Grand Forks Cattle Company. Based on the prices that the Canadian Pacific Railway and the Alberta Railway and Irrigation Company were selling their irrigated land, he projected that the Southern Alberta Land Company could sell its irrigated land for \$20-\$25 per acre while dry land would sell for \$5-\$15 per acre. An estimated profit margin of 57 % was suggested by Saunders using these calculations.

The study of the Grand Forks Ranch Company was undertaken by Robert Hall of Messrs, Linklater & Co., the accounting firm for the Canadian Agency. Hall's report of 7th September 1906 valued the assets of the Grand Forks Cattle Company at \$557,679.50.

Irrigation system of Southern Alberta Land Co., Ltd., and the approximate position of the property acquired by Canadian Wheat Lands, Ltd., and the Alberta Land Co. Circa 1913.



Source: Canada Land and Irrigation Company Papers, MS. 2389, File 27. Glenbow Museum and Archives

Map 9 - Land Holdings and Irrigation Works of the Southern Alberta Land Company

Among the company's assets was a contract with one of the contractors of the Grand Trunk Pacific Railway for the supply of meat to their employees.

Based on the Saunders and Hall reports, the Canadian Agency purchased the project from the Robins Irrigation Company on 18 September and initiated the creation of the Southern Alberta Land Company which would be responsible for completing the project. The negotiations were completed in London during which time Hitchcock and McGregor "started by asking £600,000 in shares and £90,000 in cash but after a short stay in London they sobered down & were ready to accept [Grenfell's] terms".²⁵¹

A number of separate transactions were involved in the transfer of the benefits of the Robins agreement with the Canadian Government to the Southern Alberta Land Company via the Canadian Agency. The first of these agreements was the sale by the Robins Irrigation Company of its contract with the Government of Canada to the Canadian Agency for £100,000 payable in cash and shares in the new company. A second agreement concerned the sale of the assets of the Grand Forks Cattle Company to the Canadian Agency for £135,000 payable in cash and shares in the new company. The Canadian Agency in turn sold these assets to the Southern Alberta Land Company for £300,000 payable in cash and shares of the company. The Southern Alberta Land Company also purchased the interests of E.H. Cuthbertson in order to compensate him for forsaking his own plan.

²⁵¹ Ibid.

The benefits received by the shareholders of the Grand Forks Ranch Company and the Canadian Agency were enormous. The shareholders of the Grand Forks Cattle Company received \$557,679.50 for assets worth no more than \$300,000. Hitchcock, McGregor, and St. Aubyn of the Robins Irrigation Company received \$413,000 for the contract which the company had originally acquired at virtually no cost. The Canadian Agency made a profit of \$268,320.50 for arranging the transfer of these assets.²⁵²

The memorandum of association of the Southern Alberta Land Company dated 3 October 1906 stated that the objective of the company was to acquire from the Canadian Agency Limited, the benefit of a contract, dated the 18th day of September 1906, between the Robins Irrigation Company, the Grand Forks Cattle Company, and the Canadian Agency Limited, for the sale by the Robins Irrigation Company and the Grand Forks Cattle Company, of the property in the said agreement.

As with the Western Canada Land Company, the memorandum of association was signed by seven office staff not directly associated with the Grenfell group all of whom took one share. This procedure allowed for the registration of the company and the other legal procedures related to its establishment.

An agreement dated 9th October 1906, between the Southern Alberta Land Company and Chaplin, Milne, Grenfell & Co. by which the latter agreed to finance the company up to £25,000 at any

²⁵² Stotyn "The Development of the Bow River Irrigation Project, 1906-1950" p. 40.

time within two years with the company agreeing that the payment of all interest, dividends, etc. was to be made through Chaplin, Milne, Grenfell & Co., Limited on a commission of $\frac{1}{4}$ of one per cent. The whole of the preliminary expense including brokerage, stamps, fees which were estimated at £10,000 were to be paid by the Canadian Agency.

The company's prospectus was issued on 11th October 1906, the subscription list remaining open to 13th October. It offered 400,000 shares at £1 each of which 133,333 shares were issued fully paid to the vendors of various assets which the company had been established to acquire. A further 50,000 shares were reserved for the directors and 90,000 were reserved for allotment to the shareholders in the Western Canada Land Company leaving 126,667 shares for new investors in the new company.

The company's board of directors, secretary, bankers, solicitors, auditors and office location established further links with the Canadian Agency and Western Canada Land Company. The directors were Major-General Sir Ronald Bertram Lane, chairman of the board of the Western Canada Land Company; W.H. Ellice a director of the Western Canada Land Company; Guy Stewart St. Aubyn Director of the Canadian Agency and The Western Canada Land Company; Frederick Baynes director of the London & North-Western Railway Company; A.E. Hitchcock; and J.D. McGregor. The bankers of the new company was the Bank of Montreal and Chaplin, Milne, Grenfell & Co. Limited, while its solicitors were Linklater, Addison, Brown & Jones. Its secretary was W.J. Challis

who was secretary of the Canadian Agency. Its office was located at 6 Princess Street, London which was also the office of the Canadian Agency and the Western Canada Land Company.

Following the outline of the share offer the prospectus stated the objectives of the company and described the actual assets which it hoped to manage for the benefit of the shareholders. A map was also provided which showed the location of the land which was made up of two sections marked A and B. Section A, located north of the South Saskatchewan River, contained approximately 144,323 acres while section B, located south of the South Saskatchewan River, contained 236,250 acres.

In describing the land owned by the Company, the prospectus was virtually identical to the prospectus of the Western Canada Land Company in its claims about the Company's estate being strategically located close to a thriving urban community and the region's railway transportation network. This close proximity of the land to the railway transportation network would facilitate the transportation of any agricultural products east to markets in Winnipeg, Montreal and Europe and west to the markets in the mining centres in British Columbia. These markets could be supplied with a variety of agricultural goods since the "soil and climate of the district [permitted] the production of practically all cereals including both summer and winter wheat and of fodder crops, vegetables and small fruits. . . . [and] sugar beets rich in saccharine qualities".²⁵³

²⁵³ Southern Alberta Land Company Prospectus October 1906.

The prospectus then went into details of the engineering works which were intended to bring this land to its full potential. This discussion included quotations from Saunders' report to the Canadian Agency, a copy of which was included with the prospectus. It thus gave a clear impression that much of the engineering work had been done and that all that remained was to raise the necessary capital to implement a plan.

The prospectus then discussed the most crucial issue namely the return on the investment of the Company which was based on Saunders' report which estimated that the company could obtain from \$20 to \$25 per acre for irrigated lands and from \$5 to \$15 per acre for its non-irrigable land. While the land of the Western Canada Land company would vary according to its distance from the railway, land values in this project would vary according to the "proximity or remoteness from water for stock and watering purposes".²⁵⁴ In order to assure the potential stock holders that these were realistic values, the prospectus indicated that they compared favourably with the lands sold by the Canadian Pacific Railway. In addition to the potential income from land sales, potential investors were also informed about the Grand Forks Rancho Company as another asset.

Given these various assets, the directors projected that the Southern Alberta Land Company would realize a total of \$5,185,467 or £1,066,000 (conversion rate used by the company was £1 = \$4.86). The livestock of the Grand Forks Cattle Company were

254 Ibid.

expected to be sold for \$557,679.50. The 85,000 irrigable acres in Tract A were expected to earn \$1,955,000 at a price of \$23 per acre. The remaining 59,323 acres of Tract A were expected to earn \$741,537.50 at a price of \$12.50 per acre. The 50,000 irrigable acres in Tract B were expected to earn \$1,000,000 at a price of \$20 per acre. The 186,250 acres remaining in Tract B were expected to earn \$931,250 at a price of \$5.

The prospectus also included specific commitments as to when the system would be completed and income from the sale of land expected which were based again on Saunders' report. It indicated that provided the works in connection with the irrigation of Tract A were commenced early in the year 1907, it could be completed by the spring of 1908. The directors, therefore, hoped to be in a position to commence the supply of water for Tract A and sell land in that tract during the season of 1908.

Saunders estimated that \$1,000,000 or £200,000 would be sufficient to complete the works necessary for the irrigation of 85,000 acres in Tract A and from 50,000 to 75,000 acres in Tract B. This amount was to be provided out of the proceeds of the first issue of common shares and partly by the gradual realization of the assets of the Grand Forks Cattle Company Limited.

The income of the company from the sale of water once the project was completed was estimated at \$1.50 per acre per annum. The directors anticipated that the company would receive a considerable income from this source and this should in their

opinion more than suffice to pay the cost of the upkeep of the canals which Saunders estimated at between \$40,000 and \$50,000 per annum.²⁵⁵

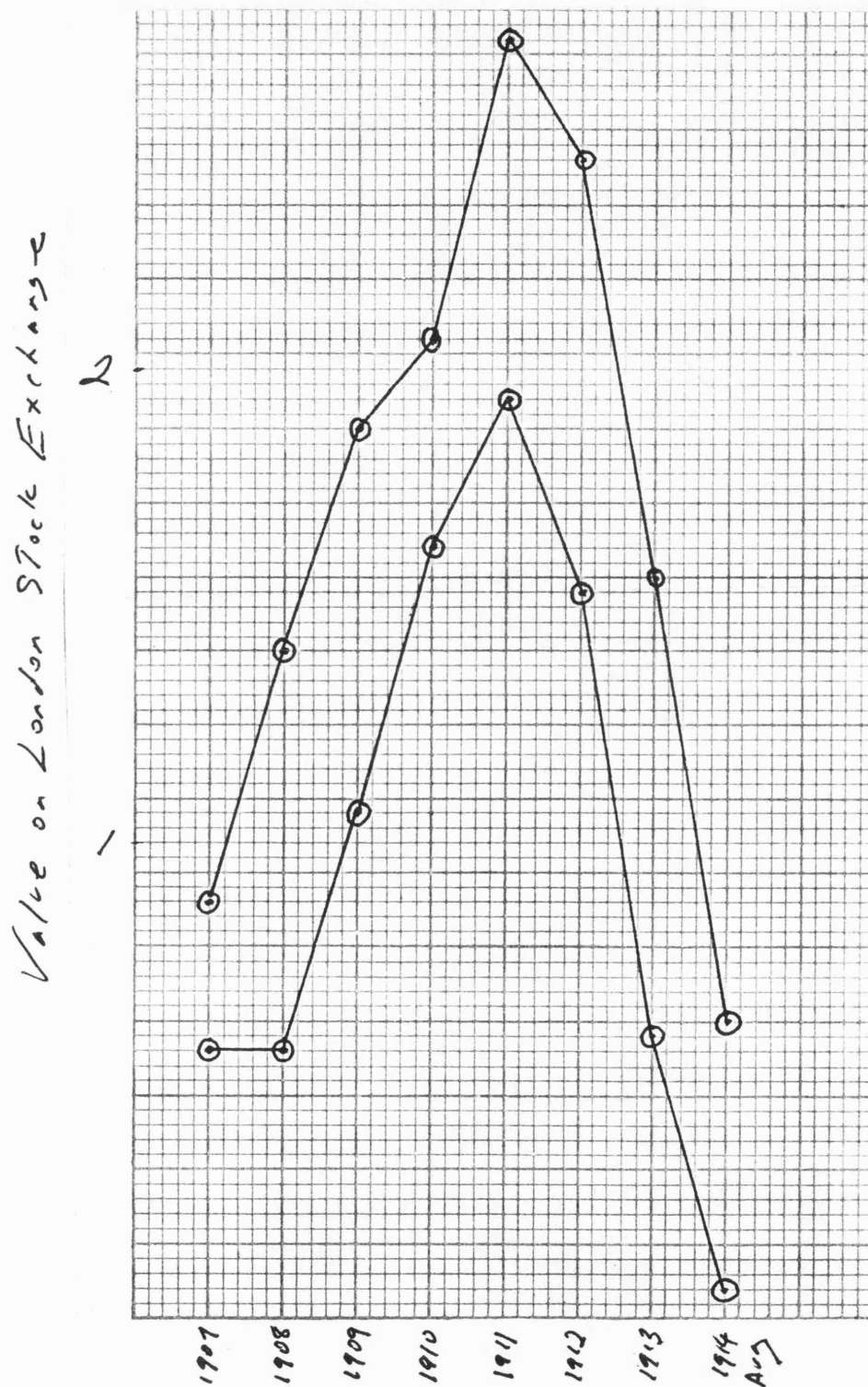
The issue was successful and the stock was listed on the London Stock Exchange in 1907. The value of the common stock, as illustrated in Graph Two, peaked in 1911 and then fell to the point of being practically worthless by July 1914.

Construction of the Irrigation System

The construction of the irrigation project was the primary objective of the company upon which all of its future plans to sell land were based. The construction of the system was to begin in January 1907 under the direction of J.G. Macintosh, the same engineer who had done the preliminary survey for the Robins Irrigation Company with James D. McGregor serving as the project manager despite having few qualifications for this responsibility. At the statutory meeting of 25 January 1907 the shareholders were advised that while the necessary formalities in Canada had been practically completed and that the company was in a position to prosecute vigorously the development of its enterprise, it was impossible to give more detailed figures pending the final completion of the surveys. In order to complete these plans, Lane informed the shareholders that the company had:

decided to procure the services of the best available authority on irrigation to settle the course of the company's [main irrigation] canal and advise generally on all necessary construction, and as soon as

²⁵⁵ Stotyn "The Development of the Bow River Irrigation Project, 1906-1950" p. 37.



Graph Two: Low and High Values of Common Stock on the London Stock Exchange of the Southern Alberta Land Company, 1907 - 1914

the surveys are completed the work will be pushed on as rapidly as possible.²⁵⁶

Arthur M. Grace was hired to undertake this task without any explanation of why further engineering studies were required and why McIntosh was not competent to handle the work. Grace, rather than proceeding with construction based on plans which had already been prepared, proceeded to review what were described as the 'engineering difficulties' involved in the original plan and began looking for alternative methods to obtain water. His recommendation was for a pumping system fuelled by natural gas, large reserves of which were supposedly located in the area. After the expenditure of \$50,000 on the drilling of exploratory wells, which proved that these gas reserves did not exist, this plan was also abandoned in favour of yet another approach.

The shareholders were not, however, kept up to date with developments. The Director's Report for the 4 June 1908 annual general meeting did not indicate the extent to which the project was being reviewed and was in fact out of date. It indicated that "numerous surveys have been made by the Company's engineers and the line of canal has now been definitely settled".²⁵⁷ The report also indicated that:

The directors have not departed from their decision arrived at in January as to the feasibility and economy of using a pumping plant for the purpose of irrigation, but whether a gas or steam plant will be erected depends upon an adequate supply of gas being obtained and additional wells are now being sunk for

²⁵⁶ The Financial Times, 26 January 1907.

²⁵⁷ Annual Report, Southern Alberta Land Company.

that purpose. Should steam be decided on there is a large area of coal bearing land on the property which could be opened up at comparatively little expense.²⁵⁸

Grace and MacGregor had in fact switched to a second scheme which involved acquiring more land from another irrigation promoter. On 8 May 1906 Francis Percival Aylwin of Ottawa had applied for the right to irrigate land on the west side of the Bow River. Aylwin's project was taken over in much the same way as Cuthbertson's project had been taken over in 1906.

The new scheme which emerged out of this two year review was outlined to the shareholders at the annual meeting of 17 June 1909. The new scheme replaced the system of pumps with gravity canals and a large reservoir. The project as revised now involved 400,000 acres and would cost \$1,976,500 to develop which was almost twice the original estimate. Despite this rise in cost, a profit of \$5,174,000, not including the annual profit from operating charges, was anticipated. The Board proposed to raise the balance of the funds required by an issue of £300,000 worth of 5% debenture stock. These debentures were to be issued with the option to subscribe at any time within three years for one ordinary share of £1 at 30s per share. In order to supply the shares for the options, the Board of Directors also requested that the stockholders agreed to increase the nominal capital of the company from £500,000 to £700,000. With the proposal having been approved by the Board of Directors, Lane, Grenfell and

MacGregor all made enthusiastic presentations to the shareholders to obtain their support. Arthur Grenfell reviewed the original objectives of the company and the pumping scheme which had been proposed to deal with the engineering difficulties. He argued that this scheme, which had the advantage of a smaller initial cost on capital account, had the drawback of the constant annual expenditure of pumping the water and the risk of any mishap to the plant. Given these problems, it was more advisable to obtain additional land which could be irrigated by means of gravity canals. While this method would involve a much larger expenditure of money during initial construction, it would have the long term advantage of a lower annual maintenance cost. Grenfell continued with more information on the new scheme noting that:

even nature has fought for your interest by providing a natural reservoir which from its immense size but also from its location will prove of very material value to you and also to the vast country which is tributary to the reservoir and branch canals.²⁵⁹

Despite the criticism that the money should have been raised through short term loans, the shareholders unanimously approved a motion authorizing the creation of £400,000 of debenture stock, £300,000 of which was to be issued immediately. Having received shareholder approval, the Southern Alberta Land Company proceeded with issuing a prospectus for £300,000 of 5 % debenture stock on 29 June 1909. The publication of the prospectus met with a critical response in the City with The Financial Times of 29 June

²⁵⁹ The Financial Times, 18 June 1909.

1909 noting that:

The prospectus gives no particulars of the latest transactions of the Company, which obviously must be rather restricted, nor is there any account of the present financial position, but as the annual report for 1909 has only recently been issued, these perhaps are not material points. The success of land companies in Canada in the past will probably cause the present offer to be favourably regarded by many, but the ordinary investor should be careful to observe that it must be some time before the anticipations of the Company are realised, even should they turn out as hoped.

The Southern Alberta Land Company responded to these concerns the following day by sending a letter to The Financial Times which provided them with the necessary information. The Financial Times, however, remained unconvinced that the company had fully demonstrated its willingness to fully disclose all the necessary information to the potential investors and suggested in the same article that contained a portion of the Company's letter that:

Presumably the Company desires to appeal to other investors than its own shareholders, and these are not in a position to form a sound judgment and to make the necessary references and comparisons in the absence of the proper figures.²⁶⁰

With the approval of the new scheme and the success of the debenture issue, construction apparently proceeded rapidly. The shareholders were informed of this progress in the directors report of 6th June 1910 which indicated that:

during the past year contracts for practically the whole of the work in connection with the scheme of irrigation have been let and the consulting engineer states that satisfactory progress is made. Mr. McGregor reported that all expenditures have been kept within the estimates and the contractors are working up to

260 Ibid.

time. The work on the reservoir some 20 miles in length, is nearly finished and he expects to turn water in during the month and to have the balance of canal work completed so that water can be distributed over the Company's lands in all the main canals early next year.

The Southern Alberta Land Company Directors' Report of 28th February 1911 was equally optimistic about the progress being made. It indicated that during the past year the main canal and reservoir had been completed to the Bow River with the exception of a few connecting links and a considerable amount of work had been done east of the Bow River. The total distance covered by the irrigation works to date was about 125 miles. The directors, however, did indicate that owing to unexpected difficulties at the intake and the unprecedented high water in the Bow River, work on the dam was delayed for some time, thus not enabling the company to put water into the system early in 1911 as was promised to the investors at the previous general meeting. Despite these difficulties James McGregor was now confident that water would be turned into the reservoir during the autumn of 1911. By 1912 the shareholders were informed that water would not be turned into the main canal until 1914. This date was six years past the date of completion given in the prospectus issued in 1906.

Urban Land Development

While the Southern Alberta Land Company struggled to achieve its primary objective of building an irrigation system, it pursued other related projects to maintain the illusion of progress and prepare for the unspecified day which was always

being postponed when the irrigation system would be fully operational. These projects included the development of urban land which was linked with railway construction that had already taken place in the region and which was planned for the future.

The urban land development component of the project as envisaged by the Southern Alberta Land Company involved the development of up to eight townsites. The first townsite to be created was Suffield on the mainline of the Canadian Pacific Railway which was named after Charles Harbord, 5th Baron Suffield whose brother-in-law, Lord Revelstoke, had played an important role in financing the Canadian Pacific Railway. The subdivision of the land, which was undertaken in August 1911 and registered at the Land Titles office in September of that year, created 600 business and residential lots 25 X 130 feet in size arranged in a grid pattern and separated by streets 80 feet wide and lanes 20 feet wide.

It was marketed in much the same way as other townsites during the Canadian boom with exaggerated reports of its progress in the local press. The Medicine Hat Times of 28 April 1910 announced that the townsite of Suffield was now offered to the Investor. Suffield's many advantages, as outlined in the advertisement, included the fact that it was 25 miles west of Medicine Hat and 160 miles from Calgary; that it was to be the junction of the C.P.R. and the proposed Southern Alberta Railway; that it was within 5 miles of a beautiful lake and summer resort which was to be a storage reservoir for the irrigated district;

and that it looked like it was going to be in demand by other investors.

As with the other aspects of the project, the shareholders received very positive reports about Suffield's development. The Director's Report of 28 February 1911 indicted that a number of stores and buildings had been erected at the site along with a large hotel, and that the town was lit and heated by natural gas supplied from the company's wells. In the same report the shareholders were advised that the balance of the townsite had been subdivided, making an additional 600 lots saleable for which the company expected to realise high prices.

Railway Network

The expansion of the railway system beyond the mainline of the Canadian Pacific Railway which could serve as the basis for further urban development was first planned by officials of the Southern Alberta Land Company. In February 1909 the Alberta Legislature incorporated the Southern Alberta Railway Company at the request of James A. McGregor, Arthur M. Grace and Lewis Welsford.

This company, however, failed to initiate construction leaving the Canadian Pacific Railway free to construct a branch line west from Suffield on their own. The railway right-of-way plan identified seven additional townsites which the Southern Alberta Land Company planned to develop.²⁶¹ The names chosen

²⁶¹ Railway Right-Of-Way Plan 10. South Alberta Land Registration District. Attorney Generals Department, Province of Alberta.

for these townsites which were Agatha, Illingworth, Ronalane, Terrace, Armelgra, Scope, Grantham, Vauxhall and Retlaw. All had some association with the Southern Alberta Land Company. Ronalane was named after Sir Ronald Lane, while Illingworth was named after a large shareholder in the company who had also purchased land for development purposes in Suffield. The development of Ronalane, which was the only townsite to be developed by the Southern Alberta Land Company, will be discussed in detail in Chapter Ten.

Rural Land Development

Rural land development was also being undertaken prior to the actual completion of the irrigation system. A subsidiary of the Southern Alberta Land Company, Canadian Wheats Lands Limited, was incorporated in 1911 in England for this purpose. A substantial portion of the shares of this company were owned by the Southern Alberta Land Company and its Board of Directors and its Secretary, William J. Challis, held similar positions with the Southern Alberta Land Company, the Western Canada Land Company and the Canadian Agency. The Company was capitalized at £500,000 divided into shares of £1 each, £400,000 of which were subscribed and fully paid-up immediately after the company was created. The capital raised in this issue of shares was used for the purchase of 64,000 acres of land, which was located in the Suffield area, from the Southern Alberta Land Company. The Southern Alberta Land Company agreed to complete the irrigation system to the lands purchased by Canadian Wheat Lands Limited and

also to guarantee the dividends on their stock for 1911 and 1912 at the rate of 5 %. The £256,000 which the Southern Alberta Land Company received in payment for this land was the only rural land sale which it could claim in its balance sheet.

The sale the Canadian Wheat Lands Limited was presented to the shareholders of the Southern Alberta Land Company as part a great settlement scheme which would involve the construction of ready-made farms for British immigrants who were needed to ensure that "British sentiment may predominate in this part of Canada".²⁶² Despite the Company's claims as to the great purposes that would be served by this new company, what it actually involved was simply the raising of new capital which permitted the Southern Alberta Land Company to sell assets to a subsidiary company thereby realizing the increase in land values which occurred during this period.

Canadian Wheat Lands Limited immediately launched an ambitious farming program under the direction of its newly appointed Canadian Manager James Murray, who had been in charge of the Government Experimental Farm at Brandon, Manitoba. As the Chairman John W. Dennis explained to the shareholders of Canadian Wheat Lands at their first annual meeting, the Company was not like other Canadian land companies since it was not engaged primarily in land speculation. The Canadian Wheat Lands program was based instead on "the advent of the steam plough and the great strides which agricultural machinery [has] made during

²⁶² The Financial Times, 10 March 1911.

recent years [which] renders possible operations on a large scale
" 263

Accounts

Given the lack of construction activity during the first two years of the Company's existence, its accounts for 1907 and 1908 dealt primarily with the operation of the Grand Forks Ranch Company and the beef contract which the Southern Alberta Land Company had acquired along with the ranch. The liquidation of the ranch and the operation of the beef contract were expected to provide a considerable portion of the capital to build the irrigation system while also providing a source of income during its construction phase.

The Grand Forks Ranch, however, failed to deliver these economic benefits. At the statutory meeting of the Company held on 25 January 1907, Hitchcock indicated that the Company was only supplying 10,000-12,000 lbs of beef a day. He attributed this lack of demand to the fact that the contractors buying the beef could not hire a sufficient number of labourers. The severe winter of 1906-1907 which killed 60 per cent of the cattle on the ranch further reduced its value as an asset for the company. By 1909 when the Company had finally settled on an irrigation scheme and raised additional capital through the issue of more common stock and debentures, the ranch was largely ignored as a source of capital. The Company policy was now to "liquidate this item as opportunity occurs, it being the intention of the Company to

devote itself chiefly to the irrigation scheme and the land business".²⁶⁴ The ranch cattle which had been valued at \$557,679.50 in 1906 were valued by MacGregor in [1909] as being worth only \$194,400. With the disappearance of the ranch as factor in financing the irrigation scheme, the beef contract was also largely forgotten as a topic of conversation at the annual general meetings.

The Company's balance sheet after 1909 dealt with changes in its capital account, construction expenses, land purchases, appreciation in land values and the diversification of the Company's activities. By 31 December 1911, the capital account had been increased to 700,000 ordinary shares of £1 and £500,000 of 5% debenture stock. Construction expenditures by 31 December 1911 totalled £590,703 0s.2d.

By 31 December 1911 the Southern Alberta Land Company had also purchased additional land within the irrigation tract from the Hudson's Bay Company and had acquired the school land. Additional land was also integrated into the project through the creation of the Alberta Land Company. The Alberta Land Company was incorporated in June 1911 in Canada. Its share capital of \$1,500,000 was issued in payment for the concessions and other properties owned by a predecessor company of a similar name, which had been incorporated in Canada in 1909. The Alberta Land Company acquired 88,982 acres of land in Southern Alberta as well as a town lot at Lethbridge. Of this total, 67,674 acres of the

²⁶⁴ The Financial Times, 17 June 1909

property were held pursuant to an agreement with the Dominion Government which was conditional upon at least 25 per cent of the land being placed under irrigation. Plans for a scheme of irrigation which was expected to irrigate more than 50 per cent of the land had been approved by the Government. The Southern Alberta Land Company, had the contract to construct the necessary works and the supply of water upon favourable terms. The company estimated that it could sell its land at the rate of \$35 per acre for irrigable land, and \$20 per acre for dry land; the value of the company's property including other assets worked out at £517,449.

The directors of the Alberta Land Company were W.E. Stavert, Lord Hindlip, Major-General Sir Ronald Burtram Lane, Captain D.C. Newton, and J.S.P. Samborne all of whom were associated with the Canadian Agency. Its London office was at No. 6 Princes Street, while its Canadian office was in Calgary. The Calgary office was operated by Captain Newton who had served as Earl Grey's aide de camp during his term as Governor-General of Canada.

The company had a subscribed and paid-up share capital of \$1,500,000 in shares of \$5 (formerly of \$100, but subdivided in 1913). In October, 1911, the Canadian Agency, on behalf of the Alberta Land Company offered for subscriptions £200,000 5% debenture stock at 95 %, and the whole amount was allotted with interest payable 1 January, and the principle repayable at 105% on 1 July, 1940. The capital raised by the Alberta Land Company brought the total capital raised for the entire project to by all

three companies approximately £2,400,000. The Southern Alberta Land Company along with the Western Canadian Land Company were two of the most highly capitalized companies of their type during this period. In Argentina by contrast no company was capitalized at over £500,000.²⁶⁵

The cumulative effect of the company's activities was to increase its liabilities and expenses at a time when its income remained largely unchanged. The level of income could only be increased through the realization of the company's land base which in turn could only be achieved through the completion of the irrigation system which was being continually postponed.

Despite the lack of a real income from sales of land to actual settlers, the Southern Alberta Land Company declared an interim dividend of 5% in 1911.

Management and the Shareholders

Lane, Grenfell and MacGregor had to explain to its shareholders why the company was making little progress towards the completion of the irrigation project while at the same time demanding more capital. They dealt with the shareholders by constantly talking about the greatness of Canada which made its land very valuable, by stressing the competence of the engineering staff and by indicating the other assets which the company possessed in addition to the land. Boosterism as a way to placate the shareholders began at the statutory meeting held on

²⁶⁵ Charles Jones, 'Who Invested in Argentina and Uruguay', Business Archives Number 48 (November 1982): 1-19.

25 January 1907 at which Lane discussed the value of irrigated land citing the success of the Canadian Pacific Railway and the Alberta Railway and Irrigation Company who owned the land adjacent to the land owned by the Southern Alberta Land Company. In the case of the CPR, land was being sold for \$18-\$25 per acre while the other company had recently raised their minimum price to \$20 per acre. It was no longer a question of an experiment, indicated Lane, since these companies had established the feasibility and assured the success of such undertakings.

At the annual general meeting of 4 June 1908 the shareholders were advised by James MacGregor that American immigrants were settling very fast in southern Alberta and the good demand for lands throughout the district has considerably enhanced the value of the company's property.

In the Director's report for the year ending 31 December 1908, James McGregor reported:

that the southern portion of the Province of Alberta has made great progress during the past year; practically all the land available for homestead has been taken up and with the rush of immigration there has been a marked increase in the demand for and price of both irrigated and unirrigated lands.

The shareholders did not always have to depend on reports of the Canadian officials for the Company for glowing descriptions of the progress being made. In 1910 both Lane and Grenfell made personal visits to the project returning from Canada totally overwhelmed by what they saw. As Lane advised the shareholders at the 1911 annual meeting "when I saw all that had been done I was really astonished, not only at the magnitude of the scheme, but

at the amount of through, foresight, energy and strict supervision that had been expended on it by Messrs McGregor and Grace".²⁶⁶ A second method of dealing with shareholder concerns was to stress the competence of the Canadian staff. The Directors in their Report for the year ending 31 December 1908 indicated that "they [were] greatly indebted to Mr. McGregor, the Company's Managing Director in Canada, and to Mr. A.M. Grace, the Chief Engineer, for their untiring and successful efforts in the interests of the shareholders". In the same report G.G. Anderson who reviewed the plan prepared by Grace, was described as "one of the best known authorities on irrigation in the United States".

The third way in which the directors counteracted any potential criticism from the shareholders was to discuss the assets in addition to land possessed by the Company. The first of these assets was the Grand Forks Rancho and the contract to supply beef to a railway contractor. As with the Western Canada Land Company, the Directors of the Southern Alberta Land Company also found that petroleum resources could be found on their property in large quantities. For example, the director's report for the year ending 31 December 1908 noted that the existence of natural gas in large quantities had been proved on the Company's property, "and may be considered a potential asset of great value, as an ample supply will be available for purposes of light, heat and power when required".

The Southern Alberta Land Company, despite the fact that it

²⁶⁶ Ibid. 10 March 1911

involved the construction of an irrigation system to increase land values, was a replication of the Western Canadian Land Company in that it seemed incapable of achieving the purpose for which it was created without compromising the commitments it made to its shareholders. The promoters were very successful in raising an enormous quantity of capital but were equally inept in spending it with the result that there was gross mismanagement and shareholder deception. It covered up this failure by constantly appealing to the great future of Canada and diversifying its activities. It was successful in doing this for a short period of time because of the aggressive promotion of Canada by a number of public and private agencies and because the great glut of capital in London from 1909 to 1912 made funds available. The conditions which permitted the poor performance of the Southern Alberta Land Company to be tolerated, however, would not endure. The rapidly declining fortunes of the Southern Alberta Land Company after the fall of 1912 will be pursued in Chapter Nine as one aspect in the overall collapse of Arthur Grenfell's Canadian Agency. Before shifting to Part Three, however, it is necessary to outline the other activities of Arthur Grenfell which will be the subject of Chapter Eight. It is also necessary to outline the participation of other British land companies in the Canadian land boom in order to put the activities of the Canadian Agency in a broader perspective.

Chapter Eight

Other Activities of the Canadian Agency

The Western Canadian and Southern Alberta Land companies along with their various subsidiaries were Arthur Grenfell's main Canadian preoccupation from 1906 to 1911. By 1910, however, Arthur Grenfell became increasingly active in expanding the role of the Canadian Agency in Canada and internationally. The objective of this chapter will be to outline this trend and the extent to which Arthur Grenfell's Canadian and international business affairs become increasingly integrated. This chapter will also outline the extent to which the Canadian Agency's Canadian activities were shifting towards urban related investments such as land and municipal financing. The contribution of changes within the organization of the Canadian Agency and within the London capital market to this phase of Arthur Grenfell's business career will also be suggested.

Saskatoon Power and Street Railway Franchise

The Canadian Agency's involvement in Saskatoon, Saskatchewan, began in February 1911 when H.M.E. Evans was contacted by James F. Cairns, a prominent retail merchant in that city, concerning the Canadian Agency's interest in a hydro-electric project. Cairns, along with business associates Fred Engen, A.P. McNab, W.C. Sutherland and J.F. Straton had formed the Saskatchewan Power Company and had received a Dominion charter on June 16 1908 to dam the Saskatchewan River within twenty-five miles of Saskatoon. The failure of the Saskatchewan

Power Company to sell its bonds and thus raise the capital to proceed with construction had promoted the contact between Cairns and Evans. Evans' initial reaction was to discourage Cairns by indicating that he would leave his proposition entirely within the hands of the London office which might investigate the proposition more fully.²⁶⁷

The Board of Directors of the Canadian Agency was far more enthusiastic than Evans and made arrangements to send out an expert to look into the Saskatoon project.²⁶⁸ The Canadian Agency eventually took control of the project and expanded its scope to include a street railway franchise and a residential subdivision. This was achieved in two agreements contained in letters sent to Cairns dated May 25 1911. The Canadian Agency indicated to Cairns in the first letter that it had accepted his offer for the disposal of all the rights of the Saskatchewan Power Company together with 320 acres of land at the proposed site as well as all documents, other property and rights in connection with the proposition for \$25,000 payable in cash. The agreement was contingent upon the Canadian Agency obtaining a satisfactory street railway franchise from the City of Saskatoon and/or a satisfactory agreement with the City for the disposal of the power. In a second letter of the same date, the Canadian Agency agreed to transfer to Cairns \$150,000 of the paid up

²⁶⁷ H.M.E. Evans to J.F. Cairns 8 February 1911 Evans Papers.

²⁶⁸ H.M.E. Evans to Cairns, 20 March 1911. Evans Papers.

capital in the new company in consideration of his assistance in obtaining the franchise agreement.

In order to ensure that the Council would approve the proposal, Cairns, with the concurrence of Evans, bribed the various aldermen using land subdivision proposals which would benefit from the street railway.²⁶⁹ This process began with Alderman Clare who was involved in the purchase of land which the Canadian Agency and Cairns planned to develop into a streetcar suburb. Alderman Willoughby and the Mayor were to be handled by Evans directly, for reasons which Cairns did not explain. Cairns' approach to dealing with Alderman Le Valley and Harrison was explained by him to Evans in some detail.

I am satisfied that we will have to do something with Le Valley and Harrison in the way of a small subdivision in some way, inasmuch as I think Harrison had an interest in the Hutchinson proposition, which came before the council. All that I think will need to be done with these men, will be for me to go to them quietly and offer to join with them in a small subdivision proposal, in some part of the town which can be easily served with a railway, and thus get them to have a personal interest in the acquiring of a franchise.²⁷⁰

Cairns was even prepared to assist Harrison and Le Valley to obtain a loan to purchase appropriate land thus making the passage "of the matter through the council absolutely sure".²⁷¹

A second action taken by Evans and Cairns was the creation

²⁶⁹ J.F.Cairns to H.M.E. Evans, 27 May 1911, Evans Papers.

²⁷⁰ Ibid.

²⁷¹ Ibid.

of a work camp at the site of the proposed dam, thus giving the appearance that construction was underway. The establishment of this camp involved hiring a foreman who organized a small camp for the purpose of clearing away the brush and undergrowth. As Evans advised Cairns, it was necessary "to make some sort of show".²⁷²

In order to further ensure local support, a business associate of Cairns took action to silence criticism from the local press which was represented by the Saskatoon Phoenix. As Cairns explained:

Aiken [publisher of the newspaper] came to Engen's [a business associate of Cairns] office to get the latter's signature on the renewal of a \$15,000. note which Engen and some other local men indorsed for Aiken some time ago.

Engen took advantage of the opportunity to tell Aiken a thing or two and refused to sign the note until Aiken agreed to ease off on his opposition to the proposed undertaking.²⁷³

The Canadian Agency provided Cairns with \$200 to cover campaign expenses. The real estate business community fully mobilized all their resources to promote the agreement which was approved by Council on June 5 1911 and by the citizens on July 6 1911.

Following their participation in this successful effort to subvert the political process in Saskatoon, the Canadian Agency proceeded with a further evaluation of the project. The

²⁷² H.M.E. Evans to J.F. Cairns 9 June 1911 Evans Papers.

²⁷³ J. F. Cairns to H.M.E. Evans June 10, 1911. Evans Papers.

engineering firm retained to advise the Canadian Agency on this matter determined that the original location chosen for the dam site was inappropriate. Its recommendation for a dam at a new location which would have been more expensive was rejected by the City of Saskatoon.

Saskatoon Subdivision

As noted earlier, the power dam and street railway project also included the development of a residential subdivision. On May 25 1911, the same day that the agreements concerning the power and street railway franchise were finalized, Evans also accepted Cairns' offer of an agreement whereby Cairns, if successful in acquiring the street car franchise, would use it to serve a new residential subdivision located on land two and one-half miles from the town centre and well beyond the existing built-up area of the City of Saskatoon. Cairns was to convey this property to the Canadian Agency at cost. The Canadian Agency in turn was to execute a Declaration of Trust in which Cairns' one-half interest was to be recognized. This document was only a temporary measure pending the negotiation of an agreement to create a new company to handle the property. This Declaration of Trust was subject to the condition that the expense of surveying, grading and improving the property was to be distributed equally between Cairns and the Canadian Agency. The Canadian Agency also agreed to advance the money to Cairns to cover his share of the purchase price of the land and the costs of improvements. Cairns was to pay seven % interest on the funds advanced by the Canadian

Agency and was to repay the entire principal within ten years. As collateral for the funds advanced, Cairns was required to deposit with the Canadian Agency any stock which was issued to him in the company which operated the street railway.

At a later date, H.M.E. Evans acquired a ten per cent interest in the development in his own right thus reducing Cairns' share to 40 per cent. Cairns' later regretted this decision after the outcome of the power dam and street railway project and the slow pace of development on the subdivision made him nervous about the intentions of the Canadian Agency. Given his minority position, he feared that:

if the Canadian Agency saw fit to-morrow to sell blocks of this property to some of the land pirates who are working out these atrocious twenty-five foot lot subdivisions, I would be helpless in the matter and they would be able to do as they saw fit.²⁷⁴

Shortly after his 2 August 1912 letter to Evans, he made an offer to the Canadian Agency to buy out its share which was not accepted. A visit to Saskatoon in the fall of 1912 by Arthur and Rivy Grenfell presumably took care of his concerns.

Cairns took considerable personnel interest in the development of this subdivision serving as the project manager linking the local business community, local land owners and civic officials with the British investors through Evans, the American landscape architect Charles Morell of the Minneapolis firm of landscape architects Morell & Nicholls and the engineers designing the street railway. His objective was to build an

274 J.F. Cairns to H.M.E. Evans 2 August 1912. Evans Papers.

attractive and exclusive residential district for Saskatoon's business elite rather than a speculative subdivision. As he indicated to Evans:

Were this an ordinary investment or business deal with me I would not feel so acutely the situation, but as I have said before, this is my pet scheme in the City of Saskatoon, and I am anxious to develop the thing and make it something worth while, even if by doing so I were not to make half the profits that I might by handling it in the way that these things are usually handled in the West.²⁷⁵

The first step taken following the decision of Cairns and Canadian Agency to pursue subdivision development, was the acquisition of the necessary property which involved the purchase of 847.12 acres at a total cost of \$229,834.50 or \$27 per acre. The agreements covering this land were made between 7 June and 30 May 1911.²⁷⁶

The planning and development of the subdivision began immediately thereafter with, Morell being responsible for the overall design of the subdivision with Cairns and Evans providing the input from the owners of the development. The first design issue was the placement of a river road and whether or not lots would be created between the roadway and the river. Morell, according to Cairns was, "most emphatic on the idea of laying the drive up on the brow of the hill and having no lots between it and the river".²⁷⁷ By July 1911 Morell completed his first

275 H.M.E. Evans to J.F. Cairns 18 March 1912 Evans Papers.

276 J.F. Cairns to H.M.E. Evans 12 August 1912 Evans Papers.

277 J.F. Cairns to H.M.E. Evans 29 June 1911 Evans Papers.

draft of the plan incorporating the river road idea and forwarded it to Cairns for review. Morell's plan as explained by Cairns to Evans involved having a number of lots from a half acre to two acres in size with winding streets.²⁷⁸ Cairns indicated further that Morell urged:

that we do not try to hurry this piece of work as by doing it carefully and making no mistakes in its development, our profits will be very much larger and results much more satisfactory. I am fully in accordance with this theory.²⁷⁹

Evans communicated his concerns with Morell's plan on August 12 1911. Evans felt that the overall plan was excellent in itself, but he did have three areas of concern namely accommodation of a street railway within the subdivision and the street layout. In regards to the street railway, Evans wanted it to "follow a route which would serve all of our property and mainly that property without conferring an unnecessary benefit on others".²⁸⁰ Evans suggested that the street railway should not be more than one quarter of a mile back from the river front with branch lines laid out later to serve the district further back. He also suggested that the "route for the Street Railway should be mainly direct, that is the roads should wind gently".²⁸¹

In regard to the street layout, Evans had concerns about the location of main boulevard. He also wanted to ensure that the

278 J.F. Cairns to H.M.E. Evans 17 July 1911. Evans Papers.

279 Ibid.

280 Ibid.

281 Ibid.

plan would incorporate a general system that would fit in later when more land was incorporated into the subdivision.²⁸² The first point was the government road allowance between Sections 17 and 18. The existence of this road allowance would have to be provided for by allowing for at least one straight north and south street.

Evans also wanted the establishment of a small business centre to serve the district. For the convenience of the inhabitants, Evans wanted the grocer, the butcher, the baker and the druggist accommodated. He suggested this could be done somewhere along the route of the car line where a block of small lots could be laid out suitable for the purpose of the small tradesman. It would have to be freed from the ordinary residential building restrictions and by keeping it compact it would not interfere with the scheme as a whole. Shops which were established on the property not under their control would serve the fringes of the district. In terms of other types of land use such as churches and schools, Evans felt that they would "take care of themselves as they harmonized with the general scheme".²⁸³

Evans and Cairns were therefore more interested at this stage of the development of the subdivision in the practical consideration of facilitating street railway and road

²⁸² H.M.E. Evans to J.F. Cairns 12 August 1911. Evans Papers.

²⁸³ Ibid.

construction to maximize the benefits to the subdivision rather than in other issues such as parks and green space. These continued to be their main concerns through to the spring of 1912 when the plan was completed. In March for example, Evans consulted the street railway contractors Stone & Webster concerning the question of the curving street railway location. As Evans reported to Cairns:

they passed it as being feasible except that they had objections to running round the little circular parks. This, they said, would be needlessly expensive and delay the operation of the cars. It was a very simple matter to change it so that the tracks ran through these small circles, having crescent shaped parks on both sides.²⁸⁴

With the completion of the plan in May 1912, Cairns was requested to arrange for the surveying, grading of the streets and the planting of trees on the northern part of the property and providing a cost estimate of the work involved. On June 21 1912 a telegram from London to Evans authorised him to spend \$15,000-\$20,000 in improving the property.

Well before June 1912 Cairns had been anxious to proceed with development, arguing that "the sooner we get this work started, the sooner we will get it finished and start to get some of the investment back out of it".²⁸⁵ As early as June 1911 Cairns had arranged for the breaking up and cultivating of the land in preparation for the planting of trees and shrubs since he

284 H.M.E. Evans to J.F. Cairns 20 March 1912. Evans Papers.

285 J.F. Cairns to H.M.E. Evans 27 October 1911. Evans Papers.

was of the opinion that it was absolutely imperative that:

the ground be cultivated and put into good shape. This has been the experience of everybody who has attempted this work, we all find that it takes about one-third the time, and is fully three times as sure, if the ground is cultivated. The attempt to simply cut holes in sod and drop trees in has proved very unsuccessful in this part of the country.²⁸⁶

In January his search for suitable trees for the subdivision took him to Laura, Saskatchewan, where he located a quantity of box elders or manitoba maples. Cairns was particularly pleased to obtain these plants because "we used some of these last year in our planting work in the city and found that we got the best results from them than we did from anything".²⁸⁷

Having received authorization to proceed with site developing, Cairns moved quickly to have the site surveyed and hired teams to plough the boulevards. Progress was slow, however, because Cairns found it difficult to keep both men or teams at work, so great was the demand for them in town.²⁸⁸ In order to speed up progress, Cairns suggested that a full time project manager be put in charge of the constructing of the boulevards and the other work in the spring of 1913. Cairns idea was that this individual could live in a house on the property, which could be properly landscaped with a first class garden. In the spring a gasoline engine could be rented and two teams of the

²⁸⁶ J.F. Cairns to H.N.E. Evans 29 June 1911. Evans Papers.

²⁸⁷ J.F. Cairns to H.M.E. Evans 5 January 1912. Evans Papers.

²⁸⁸ J.F. Cairns to H.M.E. Evans 14 October 1912. Evans Papers.

finest horses could be purchased to be used on the property. These horses, Cairns suggested, could also be "show horses which even might be entered at the Fair . . . the whole idea of fancy farm, fine horses, being an advertisement which would cost probably nothing and would help wonderfully to attract attention to our proposition".²⁸⁹

While Evans did not like the fancy farm idea, he did support Cairns in the need for a permanent employee. In November Evans wrote to Cairns that he had found the ideal candidate for the position. He was Isaac Milsom, an English horticulturalist employed by the Canadian Pacific Railway in their Department of Natural Resources. He had come to Evans' attention when he came to Edmonton to present a paper entitled "Trees, Shrubs and Hardy Flowering Plants in relation to beautifying our City Homes and Gardens". Evans was impressed with him as a "man of excellent training and splendid ideas".²⁹⁰ Milsom also impressed Morell in a meeting between the two arranged by Evans. According to Evans, "they seemed to have entirely the same ideas as to preparation of the soil; the kinds and treatment of shrubs, trees etc. . . ." ²⁹¹ After the meeting Morell advised Evans to hire Milsom since Morell "felt confident that the details of the plans

²⁸⁹ J.F. Cairns to H.M.E. Evans 17 October 1912. Evans Papers.

²⁹⁰ H.M.E. Evans to J.F. Cairns 16 November 1912. Evans Papers.

²⁹¹ H. M. E. Evans to J.F. Cairns 19 November 1912. Evans Papers.

would be carried out just as he would like to have it".²⁹²

Given Milsom's qualifications, Evans thought that:

nothing would be more suitable or a better advertisement than to establish a first class nursery on our property. This would in time give us cheaply the trees we wanted ourselves and under a good man should easily become a very profitable operation. Incidentally it would be a very good thing for the town and would make a point of interest for visitors to see.²⁹³

Following the successful meeting between Milsom, Evans, Morell and Cairns and the checking of his references in England, London authorized Evans and Cairns to hire Milsom who started work on 1 February 1913.

Concurrent with the planning and development of the site, Cairns was also actively pursuing other projects which would complement the type of subdivision planned. During this period negotiations were also on-going on the creation of a more permanent organization as were discussions about the naming of the subdivision. The first of these complementary projects was providing one of his business associates with a few acres of the river bank where he could "put up a house that would be a Show Place in this town and would thus aid us greatly in the improvement which we hope to inaugurate towards this district".²⁹⁴

The second complementary project was the construction of a country club. After unsuccessfully trying to establish one on a

²⁹² Ibid.

²⁹³ Ibid.

²⁹⁴ J.F. Cairns to H.M.E. Evans 29 June 1911 Evans Papers.

site within their subdivision, Cairns was successful in purchasing land further to the south of the subdivision which could in turn be purchased by the Country Club which was to be incorporated as a company capitalized at \$100,000. The Canadian Agency purchased a share in the new company. The country club and the boulevard leading to it were to be designed by Morell.

With the development of the subdivision proceeding the next step was the naming the streets and the entire subdivision. The first suggestion by Evans was "Grenfelda". Cairns, however, did not like this suggestion since "it savours to [him] a little of the striving after an effect, the effect being to incorporate Mr. Grenfell's name in the proposition".²⁹⁵ As an alternative Cairns suggested "Avon" which was subsequently used by another developer. The final choice was "Glencairn" which was also an example of "striving after an effect".

The final issue which had to be taken care of before a sales campaign could be initiated was creating a more permanent structure to administer the development to replace the declaration of trust negotiated in 1911. This issue was not successfully dealt with until May 1914 when the London office agreed to incorporate a Company capitalized at \$1,000,000 in shares of \$100 each. The directors proposed for the new company which was to be called South Saskatoon Limited were C. Ponsonby of the Canadian Agency, London; J. F. Cairns; H.M.E. Evans and William Laidlaw. The Canadian Agency went into liquidation before

295 J.F. Cairns to Evans 5 January 1912. Evans Papers.

the plans could be advanced any further.

South Winnipeg

A second urban land development project undertaken by the Canadian Agency involved the purchase of a subdivision in Winnipeg which was already being developed by its former owner the Tuxedo Park Co., the principal shareholder of which was F.W. Heubach. This subdivision was also a well designed suburb along the lines of the subdivision in Saskatoon.

In the case of this land, the Canadian Agency immediately established a new company to administer the property called South Winnipeg Limited. J. Stewart Tupper, Major-General Sir Ronald Bertram Lane, F.W. Heubach, Charles Ponsonby and F.T. Griffin were the directors of the new company. Lane and Ponsonby were the most direct links with the Canadian Agency and its western Canadian real estate interests.

The first priority of South Winnipeg Limited was not to sell property but rather to continue developing the site, the Directors having considered that it was "in the best interests of the Company to confine their efforts towards the improvement of the property, in the belief that much higher prices will be obtained later on when development is further advanced".²⁹⁶ To this end the company constructed three miles of concrete pavement at a cost of \$34,335.46, a water system consisting of a well with gasoline engine and pump and a sewer system.

²⁹⁶ South Winnipeg Limited, Annual Report 1912, Guildhall, Financial Land & Investment Reports, 1912-13 S-2.

While no new land sales were encouraged, South Winnipeg Limited did receive income from land sale agreements entered into prior to their purchase of the land. The sum of \$82,432.35 was collected on account of principal, and \$6,856.90 for interest under the terms of these agreements. The Canadian Agency, therefore, believing in the strength of the market, took the same approach to South Winnipeg as they did with their Saskatoon subdivision.

Other Canadian Activities

Other activities of the Canadian Agency in Western Canada included efforts to become the financial advisor to the cities of Edmonton and Saskatoon. The Canadian Agency also performed the general role as real estate brokers. Evens' clients included Sir William Garstin, George Brown, Henry S. Keating, Allen Palmers, Julia Lockwoods, Arthur Buswells, Clement Leveson-Gowers, Sir John Langman and C.O. O'Callahans. Captain Allen Palmer was introduced to H.M.E. Evans through a mutual friend on 29 June 1911. In his note of introduction the mutual friend noted that Palmer "may want advice about land dealing in your neighbourhood". Palmer reportedly made a tour of western Canada which included Edmonton in 1911 to determine investment potential. By 1913 Palmer gave his power of attorney to Evans in order to invest a total of \$5,000 in purchasing mortgages on property. This sum entitled Palmer to property in Inglewood, Strathcona and Westgrove with a rate of return of 20 % per annum. In 1912 newspaper reports indicated that the Canadian Agency had

acted as the agent for Mr. George Henry Waites Pearson of Glasgow Scotland, brother of Lord Cowdray, head of the world famous Pearson contracting company for their purchase of land in Edmonton.²⁹⁷

In addition to his role as a Canadian booster at the annual meetings of his various companies, Grenfell also performed this role on other occasions. In November of 1910 for example he was interviewed by a representative of the Canadian Mail on his return from a six weeks tour. In the interview Arthur Grenfell reviewed the progress of the Dominion since his last visit in 1907. Great progress was evident in the eastern Canadian textile and iron and steel industries. The progress of the west was, however, even more spectacular. As proof he told how one man who bought a farm from the C.P.R. irrigated lands had released a profit of £800 this year from 160 acres from growing wheat alone. Even greater profits should be made from the cultivation of alfalfa. The most important advantage of this land, however, was the differential in price from American land. Given the fact that the price of irrigated land was £8 an acres as compared with £20-£30 an acre for similar land in the United States it was no wonder that rich American farmers were "streaming over to seize such opportunities".²⁹⁸

As regards the progress of the urban communities of the Canadian west, Grenfell was able to report an equally high degree

²⁹⁷ Edmonton Daily Capital, 31 July 1912.

²⁹⁸ Canadian Mail, 12 November 1910.

of success. The towns of Edmonton, Regina, Saskatoon were going ahead in a wonderful manner "but with no signs of any dangerous inflation".²⁹⁹ He then went on to acknowledge the existence of widespread land speculation by pointing out that "real estate in some towns seems very high, but lots are constantly changing hands at advancing prices and mostly for cash".³⁰⁰

International Activities

While Arthur Grenfell took great interest in Canadian development through to 1914, he continued to maintain his association with Messina (Transvaal) Development Company and Camp Bird Limited. After 1909 these international associations were expanded and more, importantly, integrated into his Canadian activities. The Messina (Transvaal) Development Company by 1913 during Arthur Grenfell's chairmanship had acquired a total of 22,432 acres of freehold and leasehold land in the northern Transvaal which was divided into four separate farms. The company was developing one mine alone out of four proved deposits on the Company's property, in all of which exploratory shafts down to 100 feet had disclosed the presence of ore-bodies equal in value to those already developed. The company had also acquired claims on a large coalfield about 20 miles south-west of Messina which was being transported to the mine for smelting purposes. The Company also obtained limestone in the neighbourhood in order to assist in the fluxing process during smelting. Upon the

²⁹⁹ Ibid.

³⁰⁰ Ibid.

recommendation of experts, two smelting furnaces of the Welsh type, each with a capacity of 20 tons a day had been acquired to carry out the reduction of the ore. The mine being developed had been carried down to the 9th level with the ores assaying at an average of 10 per cent copper as compared to 2.3 per cent in the Rio Tinto Mines [of Argentina] and 1.4 per cent in the Utah copper mines. By December of 1913 the Pretoria-Pietersburg State Railway had been extended to the mine, thus eliminating need to transport the output of the mine by road. The Messina (Transvaal) Development Company Limited, unlike Arthur Grenfell's investments in western Canada, was making real progress towards the achievement of its goal.

The integration of the affairs of the Messina (Transvaal) Development Company Limited and Camp Bird Company Limited with the Canadian Agency began in November 1911 when the Canadian Agency agreed to purchase £250,000 worth of debenture stock of the Messina (Transvaal) Development Company at £90 per cent while at the same time accepting an option to purchase 338,196 unissued 5s. shares at £1 of the same company. In February, 1912, the Canadian Agency arranged with Camp Bird Limited for the disposal of these securities. Camp Bird agreed to offer the debentures to their own shareholders as well as to the shareholders of the Messina (Transvaal) Development Company at £95 per cent. Camp Bird Limited also agreed to guarantee the interest on these debentures for five years receiving a 5 % commission and an option on 125,000 of the Messina shares in return for this

commitment. Subscribers were offered, as a bonus, an option of one share at 22s. 6d. for every £2 debenture stock subscribed. Apparently £67,000 of debentures were taken up in this way. On 17th April 1912, the remaining £183,000 were offered to the public on the same terms through Chaplin, Milne, Grenfell & Co. and another bank and were subscribed.³⁰¹

In addition to this share transaction, both the Messina (Transvaal) Development and Camp Bird Limited made large loans to the Canadian Agency. In the case of the former, loans to the Canadian Agency as of June 1914 amounted to £183,000 against the following securities:

- 4,200 Shares Camp Bird Limited.
- 33,200 Shares Emba Caspian Oil Company Limited.
- 6,000 Shares Edmonton Land Syndicate Limited.
- 2,694 Shares Santa Gertrudis Compa Limited.
- £770 5 % Debentures South Winnipeg Limited.
- 105,000 Shares South Winnipeg Limited.
- £34,500 5 % Debentures St. Petersburg Land & Mortgage Company Limited.
- 2,000 Shares British Foreign & Colonial Corporation Limited.
- 15,500 Shares Alberta Land Company, Limited.
- £600 5 % Debentures Alberta Land Company Limited.
- 3,000 Shares Southern Alberta Land Company Limited

³⁰¹ Official Receiver's Report on the Canadian Agency, 13 February 1915.

£160,000 Debentures Canadian Agency Limited.302

In the case of the latter, loans to the Canadian Agency as of 30 June 1914 totalled £49,375 against the following securities:

27,000 Shares Messina (Transvaal) Development Company Limited.

1,000 Shares Emba Caspian Oil Company Limited.

14,000 Shares Santa Gertrudis Company Limited.

£2,300 5 % Debentures Southern Alberta Land Company, Limited.

£2,000 5 % 1st Mortgage Bonds Western Canada Mortgage Company Limited.

£500 5 % Debentures South Winnipeg Limited.

£5,700 5 % Debentures St. Petersburg Land and Mortgage Company Limited.303

The first initiative taken by Arthur Grenfell to expand his international role occurred in 1909 with the expansion of the activities of the Camp Bird Company Limited. In 1909 with the end approaching for the ore reserves of Camp Bird Limited, the Board of Directors decided to look for other locations where mining could be continued. Despite the Mexican Revolution which jeopardized other British investments the company chose to go to open a new mine in that country.

Grenfell's first new venture outside Canada involving the

302 Financial Statement. The Messina (Transvaal) Development Company. 16 June, 1914 Price, Waterhouse & Co.

303 Camp Bird Limited, Directors' Report and Statement of Accounts to 30th of June 1914. Guildhall Library Mining Reports 1913-14 Volume Bro-Co.

Canadian Agency was the Chilean Northern Railway Company. While this was a change from the purpose of the Canadian Agency as outlined by Arthur Grenfell to Earl Grey in 1906, it was consistent with its memorandum of association. In April 1910 the Chilean Government granted a concession for the construction, equipment and working of a railway in Northern Chile at the price of £3,055,750, payable by the issue of government credits guaranteeing interest and providing a sinking fund until the entire price was paid. These credits were issuable for each section of the railway as it was completed. The concession was taken up by the Chilean Railway Finance Company Limited and the Chilean Longitudinal Railway Construction Company Limited. The former was an English company promoted by the Canadian Agency in which the Agency held a 2/5 interest, Chaplin, Milne, Grenfell & Co. a 2/5 interest, and Nivison & Co a 1/5 interest while the latter represented American interests.

The Chilean Northern Railway Company Limited was then formed to take over the concession with the nominal capital of the company being divided evenly between the two original partners. A second company was then formed called the Chilean Construction Company Limited which took over the Railway Company's shares in exchange for its own share capital of £500,000 and agreed to construct the railway as required by the concession at the price of £3,055,750 payable in debenture stock of the railway company. The security for the debentures was the government credits.

The financial arrangements for the project were handled by

the Canadian Agency at a commission of 2 % on the nominal amount of the debentures. It agreed to purchase £1,000,000 at £80 per cent, and the balance of £2,055,750 at £85 per cent. The actual construction and equipment of the railway was subcontracted. £3,000,000 of the railway company debentures were then transferred to the Canadian and General Trust, Limited, at £89 3/4 per cent for £1,000,000 and £93 1/2 per cent for £2,000,000. What useful purpose was achieved by this transaction is not clear at this time. One possibility is that the Grenfell investment group had an interest in this company as well and that this was another way in which they could generate income from the project.

The debentures were then offered to the public through Chaplin, Milne, Grenfell & Co. in three issues of £1,000,000 each; the first in December 1911 at £93 and the second and third in July 1912, and May 1913 at £96. The balance of £55,750 was not taken up by the agency. According to the prospectus, the funds from the sale of the debentures were to be retained by Chaplin, Milne, Grenfell & Co. and only released proportionally to the issue of the funds by the Chilean Government.

Interim financing for construction, pending the receipt of the credits from the Chilean Government was arranged by the Canadian Agency with thirteen banks who provided a bill of credit for £800,000. These funds were provided upon the condition that the payment of the proceeds of the debenture issue to the Canadian Agency up to the agreed amounts of 80%, 85% and 85% was conditional upon the discharge of the bill of credit and that the

funds would be released at the same rate as the credits were received from the Chilean Government.

American undertakings by the Canadian Agency included serving as managers and bankers of the Natomas Syndicate.³⁰⁴ It was formed in 1912 to finance an established California land and mining company.³⁰⁵ The Agency acted as managers and bankers, and at the date of the liquidation, it owed the Syndicate about £448,000 all of which was unsecured.

Another California company associated with the Canadian Agency was the Western Ocean Syndicate Limited which was formed by the Agency to amalgamate the interests in various oil companies.³⁰⁶ The Agency subscribed 327,498 shares for which it paid £98,249 against the total price of the shares. During the period that it acted as the Syndicate's banker, it retained these funds as well as an additional £125,375 paid by other parties towards the purchase of shares. The Agency's shares were subsequently forfeited for non-payment of calls.

International transactions further afield included the creation of the Emba Caspian Oil Company Limited, with Arthur Grenfell serving as chairman of the Board of Directors. The creation of this company by the Canadian Agency took place in July 1912, through the medium of the Dos-Sor Syndicate Limited

³⁰⁴ Official Receiver's Report on the Canadian Agency, 13 February 1915.

³⁰⁵ Stock Exchange Yearbook 1913.

³⁰⁶ Official Receiver's Report, 13 February 1915.

which had a nominal capital of £2. By an agreement dated 27th July 1912, the Dos-Sor syndicate undertook to form the Emba Caspian Oil Company with a nominal capital of £3,210,000. On 30th July 1912, £1,140,000 of the Emba Caspian Company's shares (representing its proposed working capital) was offered to the public. The Dos-Sor Syndicate arranged the underwriting of £400,000 of the issue with funds provided by the Canadian Agency.³⁰⁷

It was registered on July 22 1912 for the purpose of acquiring the benefit of the rights over 547-574 plots of land each of about 100 acres in the localities of Dos-Sor, Makat, Iskene, Karaton and Karachumgul in the Gurieff district of the Ural territory on the north-east shore of the Caspian Sea. In order to comply with the provisions of Russian law, these rights were vested in a Russian company which was a wholly-owned subsidiary of the Emba Caspian Oil Company. The rights acquired by the Emba Caspian Oil Company were obtained from the Banque International de Commerce and the Banque Russo-Asiatique. Pending the formation of the Russian company, the vendors agreed to acquire prospecting licences in respect of these plots. These licences were taken out free of all cost to the Emba Caspian Oil Company and would be transferred free of charge to the new Russian company. These licences entitled the owners to prospect for oil for a period of three years and the right to select an area of approximately 27 acres within each plot of 100 acres, and

³⁰⁷ Ibid.

in respect of each of these areas, on oil being discovered, what is called an otvod can be obtained, which gives the right to extract oil without payment of any royalties. The company decided to sink nine bore holes, the work for which was contracted out to the Emba Nobel Company and a Mr. Riedel, a well known contractor. Five wells were sunk at Dos-Sor, two at Makat and two at Karaton.

The other corporate associations acquired by Grenfell during this period included the British Bank Of Northern Commerce (Ltd). Earl Grey served as chairman of the board while Arthur Grenfell served as a member of the board.

The increased activity by Grenfell in Canada and internationally after 1910 coincides with the diversification program which was undertaken by both the Southern Alberta and Western Canada Land Companies. Various factors were involved in this development, one of which was the departure of Guy Stewart St. Aubyn from the Board of Directors of the Canadian Agency. He was one of the few people who served to restrain Arthur Grenfell's propensity to become over-committed in terms of the creation of new companies and new propositions. A second factor which has already been discussed to a certain extent in an earlier chapter is the glut of capital in London caused to a certain extent by the flight of capital generated by the policies of Lloyd George.

In this era of expanding credit, Grenfell had created a very complex financial structure which had become sufficiently integrated to ensure that problems in one company would affect

other companies located a continent away. It was also a structure in which success could support failures elsewhere.

Chapter Nine

Other British Land Companies

1912 - 1915

The Canadian Agency, with its various rural and urban land companies, was the most significant new British participant in the Alberta, Saskatchewan and Manitoba real estate markets after 1906. The land companies of the Canadian Agency were distinguished by the amount of capital invested, the amount of property owned and the scale of the development activities undertaken or at least attempted. These companies were, however, part of a group of at least ninety other land companies (See Appendices) which had been organized by 1914 as other groups of English and Scottish investors endeavoured to benefit from the temporary advantages of participating in this sector of the Canadian economy. These companies, despite their smaller size, also contributed to the growing network of investors, brokers, promoters, companies and land purchase agreements which was being established in Canada and Britain based on the expectation that western Canadian land values would continue to increase.

While participation in the western Canadian real estate market was undertaken by investors distributed throughout the cities of the British Isles, London and Liverpool were the most important locations for the organization of companies engaged in this type of investment activity. This chapter will concentrate on those London companies not associated with the Canadian Agency and two companies from Liverpool which were organized by one

group of investors.

London

The rate at which these companies were created followed the overall pattern of the Canadian boom, in that it started to increase in 1908, reached its peak in 1912 and rapidly declined in 1913. The first of the small London companies to be created during this period was the Edmonton-Strathcona Land Syndicate. Incorporated on 19 November 1908, its memorandum of association stated that its general objective was to acquire land by purchase, lease or grant in the United Kingdom, North America, the Dominion of Canada or elsewhere and to turn the land to account through development, lease or sale. Its particular purpose was to acquire from Edward Holt, River Lot One in the Edmonton Settlement. The creation of this company signalled the large scale entry of British capital into the pre-mature subdivision process as discussed in Chapter Two.

The company's directors were Harold George Brown, who served as chairman; H. Mead Taylor, who served as secretary; Harry Scott Barton; Captain William Alexander Grant; and Cecil Ward. Significant names in this list from the point of view of British investment in Canada were Edward Holt, Cecil Ward and Harry Scott Barton. Holt, from whom the land was purchased, had served as the secretary of the Western Canada Land Company during the early months of its existence and was the secretary of the Western Canada Timber Company. Scott was on the board of directors of the Western Canada Timber Company while Cecil Ward was managing

director of Canadian Real Properties Limited and was on the board of directors of the Western Canada Land Company and the Dominion Sawmills and Lumber Company. Cecil Ward, who had played a significant role in the creation of the Western Canada Land Company, was thus continuing his key role of linking British investors with Canadian real estate. The registered office of the Edmonton-Strathcona Land Syndicate was in Dashwood House, the location of a number of other companies associated with investment in Canada including the Grand Trunk Pacific Railway.

The Edmonton-Strathcona Land Syndicate was capitalized at £27,000, £25,000 of which was used to purchase River Lot One in the Edmonton Settlement. This was a grossly inflated price to pay for any suburban land in 1908 in the Edmonton area, let alone land which was relatively isolated from the existing built-up areas of Edmonton and Strathcona. This lot was wilderness land located in the valley of the North Saskatchewan River one mile to the west of the cities of Strathcona and Edmonton. Its geography and its separation from the existing transportation system would have made it expensive land to develop.

The Edmonton-Strathcona Land Syndicate immediately subdivided the property into lots using the grid plan. Mayfair Park and Windsor Terrace, both familiar English names, were chosen as the names for the subdivisions. Following the registration for the subdivision plans, the Edmonton-Strathcona Land Syndicate sold the property to McCuheon Bros of Calgary and the Western United Investment Ltd. of Edmonton. No development

activity was initiated by any of the companies which owned the property between 1908 and 1914.

The Bowness Estates Limited was a second British entry in the suburban land boom between 1908 and 1914. It was promoted and managed by John Hextall, a English lawyer who moved to Calgary in 1908 for reasons of health. The Company was registered 22 March 1912 to acquire about 1,724 acres of residential freehold land in Calgary, Alberta. The authorised capital was £280,000 in shares of £1, of which £274,187 was subscribed and called up, including 130,000 shares issued fully paid to the vendors. The directors of the company were all resident in England with the exception of John Hextall who managed the Company's affairs in Calgary. The directors in England were J.H. Mullins (Chairman); Genl. Sir A. Gaselee, G.C.B., G.C.I.E.; H.E. Salt; and D.A. Stewart. Company Secretary B.S. Dunn handled the affairs of the London office which was located at 9, Bishopsgate. Unlike the Edmonton-Strathcona Land Syndicate, the individuals involved in this company have not been linked to any other Canadian investments. Initially the company was a financial success earning for the period to 31 March 1913 a net profit of £17,201. This profit permitted the payment of a dividend of 5 % and the carrying forward of £3,494 to a reserve fund.

The Western Canadian City and Town Lands Limited was incorporated in July 1912 and established its registered office at 4 Moorgate Street. Its board of directors in 1913 was Sir Clement Kinloch-Cooke, M.P., Chairman; A. Shirley Benn M.P.; M.

McClean Goldie F.I.D.; Charles E. Hutton, Charles Claude Johnson, M.I.C.E.; William G. Millar F.A.I.; and George Skinner. The Canadian Local Board was Richard Deans Waugh, Merchants Bank Building, Winnipeg; Harold Sidney, Edwards, Merchants Bank Building, Winnipeg; Harvey Hill, 22 Canada Life Building, Winnipeg, D.A. Ross, Ross Reality Company, Winnipeg; and Robert A. Scott, 22 Canada Life Building Winnipeg. Its land holdings were located entirely in Winnipeg.

Examples of small London-based rural land companies created during this era included the Northern Alberta (Canada) Lands Syndicate Limited and the Canadian Agricultural Land and General Investment Company Limited. The former company was capitalized at £10,000 divided into 10,000 shares of £1 each. The directors included George Morris of London, George Smith of Reading and Leonard Stanton of Oldham and Manchester. The particular objective of the Syndicate was to acquire from the Saskatchewan Investment and Trust Company Limited of 139 Cannon Street, London, 3,366 acres of land in the Vegreville District of Alberta. The land to be purchased by the Northern Alberta (Canada) Lands Syndicate had been acquired by the vendors from the Anglo-Canadian Lands Limited which in turn had acquired this land from the Western Canada Land Company.

The prospectus offering the 10,000 shares to the public was issued in February 1911. This document provided specific details on the land to be purchased in terms of its appearance, soil quality and its distance from the nearest railway town. The 3,366

acres of land to be purchased was made up of seven separate parcels of land ranging in size from 172 acres to 640 acres located from 5 to 8 miles distant from the nearest railway town. The land was described in general terms by the prospectus as "without doubt the finest land for wheat growing and mixed farming in Canada now being thrown open for settlement".

The Secretary of the Company was to be H.P. Bright who was to be paid one dollar per acre as commission on the sale of the land. From this commission, he was to meet all of the expenses relating to the formation of the Company through to the issuing of the first general allotment of shares.

Following the purchase of the land, the Syndicate proposed to resell it to farmers and other settlers with payment to be made in cash or partly in cash and partly by deferred payment at an interest rate of 7 %. The sale of the property was to be arranged through the existing network of agents. As the prospectus explained:

Arrangements can be made by the Directors with a number of old-established emigration agents to make a special feature for disposal of these lands, and also similar terms will be fixed with Canadian Agents of good repute.

With respect to the price and productivity of the land, the prospectus indicated that it was valued at \$25 per acre and could grow 75-100 bushels of oats and 35-62 bushels of wheat per acre. The market for the land was expected to be American farmers selling-out and moving to Canada as a consequence of the comparatively low cost of Canadian land. According to the

prospectus, this process was already taking place as "many thousands of farmers in the United States [were] selling their properties and emigrating to Canada every year". As with the Western Canada and Southern Alberta Land Companies, the Northern Alberta (Canada) Lands Syndicate Limited hoped to benefit from the anticipated shift of farmers from the more expensive and less productive land in the United States to the cheaper and more productive land in Alberta. In order to emphasize the differences in land values between the two countries, comparative figures on land values and productivity were provided. In 1909 in the States of Minnesota, North Dakota, and Kansas the average yield of wheat per acres was 14.86 bushels while the average price of United States farm lands in 1909 was no less than \$53.06 per acre. In the western states the prospectus reported even more dramatic rises in land values which had during the last 20 years gone from \$10 to as high as \$250 per acre. The Directors of the Northern Alberta (Canada) Lands Syndicate expected that a similar rise in land values would take place in Canada.

The Canadian Agricultural Land and General Investment Company Limited was registered on 10 January 1912 for the primary purpose of buying and developing agricultural land in Canada principally in the Provinces of Alberta and Saskatchewan. Its secondary purpose was to buy and re-sell agricultural land and town-lots in the more rapidly developing districts of western Canada and for the purpose of general investment in Canada. Its directors were Sir F.W. Benson, K.C.B. (Chairman), H.M.

Gardner, C.E. Pole-Carew and H.F. Ricketts whose other investment activities have not been associated with any other Canadian company. Its registered office was located outside the City in Vernon House, Sicilian Avenue, Southampton Row, W.C. The authorised capital was £30,000, £29,950 of which was in participating preference shares of £1, and £500 in ordinary shares of 1s. each. By 31 December 1912, £12,193 of the preference, and £50 of the ordinary had been subscribed and paid up.

One of the smallest companies was the Edmonton, Winnipeg and British Columbia Investment Agency Ltd. with a nominal capital of £1,000. The memorandum and articles of association were prepared in August 1913 and signed by Alfred Egerton Maynard Taylor, a London solicitor, and Charles Rowbottom, a clerk, presumably in Taylors' office. The object of the company, despite its low level of capitalization, was to acquire land in Canada and turn it to account by:

clearing, draining, road making, fencing, planting, cultivating, building, improving, farming, irrigating, grazing, and by promoting immigration and emigration, and the establishment of towns, villages and settlements.³⁰⁸

The certificate of incorporation was issued on 13 August 1913.

The first company directors were Edward Yahman who was also a directors of Western Canada Townlots Ltd. and Walter John

³⁰⁸ Memorandum of Association, Edmonton, Winnipeg and British Columbia Investment Agency, Limited. Bancroft Library, Z-G 2 Collection, Registrar of Companies Office, Bush House London, File 130634.

Rolfe, a member of the Edmonton, Alberta real estate firm Rolfe & Henwood both of whom lived in Surrey, England. The allotment of 1,000 shares was made in August 1913 with Taylor, Rowbottom, Yahman and Rolfe being the only recipients. The company appears to have failed to engage in any investment activities after its organization.

Liverpool Based Companies

Liverpool's interest in western Canada developed because of its associations with the trans-atlantic cotton and grain trade, as well as its role in American railway construction. Within this collection of Liverpool companies, three can be identified as belonging to the same investment group. This investment group included Sir J.S. Banner, M.P., a Liverpool chartered accountant; George A. Burrow, a Liverpool leather factor; Alexander Gilmour, a Liverpool printer; Frederick L. Hammond, who was the managing director of the Canadian Resources Limited; Henry C. Holder, a Liverpool cotton merchant; T. Rowland Hughes, Justice of the Peace; Thomas Holder, a bank manager; H.L. Bibby, Director of J. Bibby, Sons & Co. (St. Helens) Limited, Copper Smelters, as well as E.S. Parker for whom no biographical information is available.

Hammond would play the same role that Cecil Ward was playing linking London investors with Canadian land. The information on this company does not indicate if Hammond was a Canadian or a British citizen nor the circumstances which brought Hammond and his fellow investors together. While this investment group did

not diversify its activities in the Canadian economy to the same extent as did Arthur Grenfell and his associates, it did create separate companies to take advantage of specific investment opportunities as did the Canadian Agency.

The Canadian Resources Development Limited, registered 10 June 1910, was the first company they organized. Its purpose was to acquire 2,700 acres of land at Port Arthur and Fort William which were towns located at the head of the Great Lakes in western Ontario. The investment group did not expand its activity in the real estate market in this part of Canada, preferring to move further west to take advantage of what they saw as the greater economic opportunities available in western Canada. The Canadian City and Town Properties Limited incorporated on 10 December 1910 and the Canadian Dominion Development Limited incorporated in 1911 were the companies established by these investors to achieve this objective.

Canadian City and Town Properties, Limited

The memorandum of association for the Canadian City and Town Properties Limited, dated 9 December 1910, stated that the objective of the company was:

to acquire certain pieces or parcels of land and buildings situated in the cities of Edmonton, Calgary and Lethbridge in the Province of Alberta, and Regina, Moose Jaw, Saskatoon and Prince Albert in the Province of Saskatchewan, and the benefits of options and offers obtained over properties in those cities . . .
.. "309

309 Prospectus, Canadian City and Town Properties, Limited. Bancroft Library, Z-G 2 Collection, Registrar of Companies Office, Bush House London, File 113159.

The remaining articles of the Memorandum of Association permitted the Company to engage in a wide range of activities associated with the development of its property.

Its authorized capital of £200,000 was divided into £1 shares, 150,000 of which were preferred while 50,000 were deferred. The preferred shares were entitled to cumulative dividends at the rate of 8 % per annum, and to one half of the surplus profits remaining after a sum equal to 5 % on the amount paid up on the issued preferred shares had been carried to reserve. The other half of the profits were to go to the deferred shares. The preferred shareholders also had priority if further capital was to be issued by the Company. Its registered offices was at 357 Royal Liver Building, Liverpool as it was for all of the companies this investment group created.

Prospectus

The first prospectus, issued on 14 December 1910, offered £150,000 in preferred shares in the Company. This document provided additional information on the company's objectives for the benefit of the new investors which was to:

carry into effect a programme prepared by Mr. F.L. Hammond, of Calgary, Alberta, for the acquisition of city and town property in the centres which appear most likely to dominate in the future the great cereal-growing area of western Canada, lying between Lake Superior and the Rocky Mountains.³¹⁰

The prospectus continued with extensive extracts from a memorandum prepared by Frederick Hammond in October 1910 during

310 Ibid.

his selection of the land which the Company eventually purchased. Hammond's qualifications to make this selection and advise the British investor on the value of the property derived from the fact that he had "devoted much time to the consideration on the spot, of the problems affecting the development of western Canada"311

This document outlined in some detail why urban land in general and land in these cities in particular was a good investment. The advantage of urban land was that it rose in value much faster than agricultural land, was easier to sell and could provide an income through the construction of buildings for rental purposes.

The higher value of urban property, according to Hammond, also reflected the role of cities in the economic organization of a hinterland. Hammond argued that in areas rich in resources, key cities emerge which begin:

to draw to itself the ownership and control of the district around about it, and which is becoming the point of distribution of the commodities which the region requires as its place of trade and centre of commerce and finance."312

The construction of a railway network was the means by which these key cities would take control of their hinterlands.

The potential for the economic growth of these key cities was the "ratio of undeveloped to already developed natural

311 Ibid.

312 Ibid.

resources, with special emphasis upon agriculture."³¹³ In Manitoba 17 per cent of the potential agricultural land was being cultivated which amounted to 4,777,210 acres out of a total of 27,446,000 acres of land suitable for that purpose. In eastern Saskatchewan, 12 per cent of the potential agricultural land was being utilized, or 5,125,000 acres out of 41,830,000 acres of land suitable for cultivation. In western Saskatchewan the amount of agricultural land being used dropped to 5 per cent or 2,251,000 acres out of a total of 45,170,000 acres of land suitable for cultivation. In Alberta less than one per cent, or 941,200 acres of the 100,000,000 acres suitable for cultivation, was being utilized. These statistics led Hammond to the obvious conclusion that the cities and towns in western Canada which would grow to the greatest extent as a result of the process of land settlement were those located in western Saskatchewan and Alberta.³¹⁴ In addition to the greater availability of land in this area was the land's greater fertility which would lead to the development of even greater cities to those which had developed in the region to the east.

A second resource which would be the basis of urban growth in the region was coal which was to be found in great quantities on the eastern slopes of the Rocky Mountains. Alberta and western Saskatchewan were, therefore, viewed by Hammond as the richest part but the least developed portion of the Dominion. The

³¹³ Ibid.

³¹⁴ Ibid.

Canadian City and Town Properties Limited, like the Western Canada and Southern Alberta Land Companies were in search of undervalued land which would appreciate in price as the settlement of the region progressed.

Based on his views of urban land values, Hammond then proceeded to evaluate the investment potential of various cities in western Canada. Port Arthur and Fort William, where this group of investors first purchased land, were considered unsuitable because the most valuable land had already been monopolized by British capital. Winnipeg, then the present commercial headquarters of western Canada, was an old place where "there is sufficient capital to have forced the price of property up to relatively higher planes".³¹⁵ In the rest of Manitoba and Eastern Saskatchewan the urban network was complete and therefore the potential for growth had been exploited, leaving no development potential which could be reflected in higher land values.

Further to the west, however, settlement had progressed to a point where the future urban network of the region was evident but not to a point where the land values in the key cities had peaked. The seven cities in which land had been purchased were the key urban centres in the region. To demonstrate that these cities were the most important, the prospectus provided statistics on their growth.

Having justified the value of the investment, the prospectus

315 Ibid.

continued with an outline of how the land would be acquired and transferred to the company. As with the Western Canada and Southern Alberta Land Companies, the Canadian City and Town Properties Limited acquired their property through land contracts already negotiated. The contracts acquired by the Canadian City and Town Properties had been originally negotiated by F.L. Hammond and G.A. Burrow the Liverpool based promoters of the Company in conjunction with Philip Brooksbank and F.S. York, both of the City of Nelson, British Columbia. Hammond negotiated 28 separate land purchase contracts and had paid a portion of the money owing on the contract. Hammond agreed to transfer to the Canadian City and Town Properties Limited the benefit of these contracts in return for the monies he had paid as a down payment and £50,000 in fully paid up Deferred Shares of the Canadian City and Town Properties Limited. The Canadian City and Town Properties was thus part of a long chain of speculative land purchases.

The prospectus concluded with a list of the 28 land contracts (See Table Eleven for a summary of land purchased through these contracts). As indicated in Table Eleven, the bulk of the land purchased by the company was located at Moose Jaw where it owned 11 lots and 690 acres of un-subdivided land. Given his analysis of trends in the western Canada land market, Hammond expected that Moose Jaw land values would ultimately rise to those levels in other western Canadian cities.

Organization and Operation

The entire share offer was subscribed providing the company with £143,750, the preferred shareholders having paid 12s. 6d. per share. The deferred shares were issued as fully paid in accordance with the agreement between Hammond, Burrow, Brooksbank and York. Share allotments were made between 22 December 1910 and 28 February 1911. The shares were distributed to a total of 350 people the majority of whom lived in Liverpool. However, some shareholders were from Newcastle.

With the success of their share offering, the Company was provided with the necessary funds to begin their land development program which included the development of the 790 acres of land at Moose Jaw into a residential district named Boulevard Heights and the construction of individual buildings on sites one or two lots in size in Moose Jaw and Regina.

The development activities of the Company at the subdivision included laying out streets, boulevards, parks and planting trees. The Company did not construct any buildings but it did impose building restrictions on lot owners as part of its effort to create what it described as a high class subdivision.

The sales campaign to market the lots began on 25 November 1911 with advertisements in the local press. These advertisements restated many points made in the prospectus with special reference to Moose Jaw. The first advertisement stressed the fact that there had been a 700 per cent increase in the number of building permits issued in Moose Jaw between June 1910 and June

Table Eleven
Canadian City and Town Properties, Limited
Land Purchases

Location	Land Purchased	Total Cost	Price Per Acre/Lot
Moose Jaw	10 Lots and 790 acres	\$222,960.00	N/A
Lethbridge	36 lots and 30 acres	\$15,625.00	N/A
Saskatoon	8 Lots	\$70,650.00	\$8,831.25
Regina	9 Lots	\$68,250.00	\$7,605.50
Calgary	7 Lots	\$46,500.00	\$6,642.80
Edmonton	1 Lot	\$34,000.00	\$34,000.00
Prince Albert	1 Lot	\$26,000.00	\$26,000.00
Total Cost		\$554,268.28	

Source: Prospectus, Canadian City and Town Properties, Limited.
 Bancroft Library, Z-G 2 Collection, Registrar of Companies
 Office, Bush House London, File 113159.

1911. A city, concluded this advertisement, with this amount of investment in the land development process was "a city worthy of having a stake in".³¹⁶ The advertisement then noted that "it is in such lusty young cities that fortunes are made by those who invest at the right time - before prices have advanced beyond reach".³¹⁷ Buying land in Boulevard Heights, noted the advertisement, had the added advantage of the company's special non-forfeit of payment plan which "at one step elevates buying lots for a rise from speculation to conservative and sane investment".³¹⁸ The sales agreement under which the lots at Boulevard Heights were sold contained a clause entitling purchasers to cancel their contracts at any time before such purchases had been completed. This clause was inserted for several reasons but primarily to show the confidence of the company in the value of the property offered for sale. This was the only example of such a guarantee being offered and ran counter to the spirit of speculation evident during the era.

A second advertisement developed the theme of wheat and its relationship to the development of great cities and the potential it offered for the development of Moose Jaw. Wheat, stated this advertisement "has been the controlling factor in the world's progress back as far as the Bible Times of Joseph in

³¹⁶ Saturday Night, 25 November 1911.

³¹⁷ Ibid.

³¹⁸ Ibid.

Egypt".³¹⁹ A recent example of a city built on wheat was Minneapolis. The Canadian Minneapolis would be Moose Jaw.

On 30 January 1912 the company held its first annual general meeting. As with all British land companies active in Canada, the event began with an outline of the progress of the Dominion of Canada. The chairman, J.S.Harmood Banner noted in this regard "the splendid progress which Canada has made, and especially western Canada, with which we are more immediately concerned, and there is no indication yet of a falling off. . . ." ³²⁰ A variety of statistics relating to railway construction, land cultivation, immigration and population growth were provided to prove the point.

The chairman also dealt with the specific activities of the company concentrating on the sale of land in the Boulevard Heights subdivision which provided the company with the majority of its first years profits. By the time the accounts had been made up at the end of October, about one-half of the subdivision had been sold. The disposal of this land over such a short period of time and at higher values was particularly gratifying to the chairman who noted that:

Apart from development and building operations, a land company can only look for its profits to gradual appreciation of its properties, following on railway and industrial development, and, this being so, I think you will all agree that it is a matter of great satisfaction to be able to show such a handsome profit

³¹⁹ Ibid. 9 December 1911.

³²⁰ The Economist, 3 February 1912.

for a period of only about ten months' working.³²¹

Given this dependence on land sales, the management, like all land companies, took great pains to assure the shareholders that the value of their land was secure. The chairman reported on an extensive trip through western Canada made by two of the directors with Mr. Hammond who made independent inquiries upon the spot as to the market values in the principal cities in which the company held building sites. Despite their confidence in the future, the Company monitored conditions in Canada very closely. As the chairman noted:

Events . . . in Canada move with such rapidity that it is absolutely necessary to maintain a certain elasticity of policy and to keep constantly on intimate terms with the local conditions obtaining in the various localities, in order to cater adequately for the progressing requirements of any particular place, and your directors have to keep these facts before them when endeavouring to achieve the best possible results from the various properties.³²²

The management's faith in the value of the land was supported by individual shareholders. Thomas Snape, who had visited Moose Jaw during a tour of western Canada, recounted his experience for the benefit of the other shareholders. His visit to Moose Jaw coincided with the Company's decision to advance land prices by 30 per cent. He was urged during his visit to buy some of the land back and then re-sell it at the new price. He regretted not having done so "for it seems to have been taken up

³²¹ Ibid.

³²² Ibid.

again, and the property is selling off at the advance".³²³

Accounts

The accounts of the company were made up annually to 31 October and submitted in January for the consideration of the annual general meeting. For the period from incorporation to 31 October 1911, there was a profit on land sales of £18,544 with total receipts of £19,696. After meeting expenses in Canada and Liverpool, and after writing off a portion of the expenses incurred in organizing the company, there was a credit balance of £15,847. This credit balance permitted the payment of a dividend of 10 % on the preferred shares, and 3 % on the deferred shares.

During its first year of operation the Company also created a reserve fund of £26,888 7s 10d for uncompleted sales. This money was income earned through land sales on the instalment plan which would have to be returned if the purchasers chose not to complete their land purchase. The management felt confident, however, that given the value of the property, little if any of it would have to be returned to unsatisfied customers. The Company's confidence that it had satisfied customers was indicated by the fact that a large portion of the subdivision was taken up by residents of Moose Jaw "who had every opportunity of inspecting the property and estimating its true value. . ."³²⁴ A further incentive for these land contracts to be honoured was the company's decision to increase the original

³²³ Ibid.

³²⁴ Ibid.

price of the land by approximately 30 per cent.

For fiscal year 1911-12, 15 % was paid on the preference shares and £6,562 10s was distributed to the deferred shareholders. The profit earned on the Company's operation during this period also permitted it to write off the remaining debt incurred in organizing the company and to cover the expense of a debenture stock issue. The remaining £1,738 was carried forward. As of 31 October 1912 the Company had a general reserve fund of £4,687 as well as a special reserve for uncompleted land sales of £20,114. Its chief assets were: lands and properties in Canada which were valued including improvements at £171,522; buildings erected, including furniture and equipment valued at £42,157; loans to the Canadian Dominion Development Limited, with interest valued at £20,008; debtors for land sold which amounted to £56,118; and cash £42,680. The liabilities of the company besides the share capital, debenture stock and mortgages, was to sundry creditors for £13,560.

Capitalization

As indicated in the forgoing discussion of the Company's accounts, it raised additional capital through the issue of debenture stock for the purpose of funding its construction projects in Moose Jaw and Regina and to purchase more land. The additional land purchased consisted of seventeen lots in the northern Manitoba town of The Pas and portions of four lots in MacLeod in southern Alberta. In August 1912, £100,000 of 5 % debenture stock with each stock valued at £100 was offered. The

debenture stock was secured by a trust deed creating a floating charge upon the whole of the company's undertaking, property and assets, both present and future. All debenture stock not previously redeemed was to be repaid on the 31 December 1935, at 102%. The company, however, reserved the right at any time after the 31st December 1915 to redeem the debenture stock by giving six months' previous notice in writing or by purchasing the stock in the market at any time at or below the redemption price. In case the company went into liquidation at any time for purposes of reconstruction or amalgamation the stock was to be redeemed at 102% and would be repaid on 31 December 1935.

The prospectus offering these stock indicated that the Company was in the process of implementing a program of purchasing land in western Canada. This program was successful because certain of the properties acquired by the company had already been sold at satisfactory profit whilst others were being developed by the erection of buildings to be used as offices and shops. The buildings in course of erection at Regina and Moose Jaw were expected to cost approximately £11,000 and £44,000 respectively.

In May 1913 the company issued a further £25,000 worth of the same type of bonds. The company was also authorized to create further debentures ranking *pari passu* with the present issue for an amount not exceeding £75,000, with the stock to be secured by a floating charge on the company's assets. This option was, however, never exercised. The remaining source of its

indebtedness was a mortgage for about £22,000 created on 31 October 1912. Besides the share capital, debenture stock and mortgages the only liability in 1912 was to sundry creditors for £13,560.

Canadian Dominion Development, Limited

The Canadian Dominion Development Limited, incorporated in 1911, added to the urban land interests of this Liverpool group of investors and also diversified their activities to include wheat lands in Saskatchewan and Alberta as well as fruit land in British Columbia. It was capitalized at £400,000, twice the amount of capital initially issued in the Canadian City and Town Properties Limited. The increased amount of capital raised by this Company reflected the growing investor interest and confidence in the western Canadian real estate market. The capital was divided into £390,000 of 7 % cumulative preferred £1 shares, and £10,000 of deferred £1 shares. £200,000 of preferred shares were subscribed, and £150,000, or 15s was paid up on each share. The deferred shares were issued as fully paid to the vendors as a partial payment on the purchase of the land.

The company prospectus, issued in July, stated that the Company had been organized to acquire, develop and deal in real estate in the Dominion of Canada and in particular to acquire options over agreements for the purchase of certain properties located in western Canada. These properties included 5,800 acres of fruit lands in the Fosthall Valley, Kootenay District in British Columbia; 7,300 acres of wheat lands in Alberta and

Saskatchewan; and two centrally located properties in the business district of Winnipeg.³²⁵

These properties were also selected by F. L. Hammond who for over ten years had "made a special study of the conditions affecting the development of that part of the Dominion. ..."³²⁶ The Canadian Dominion Development Limited was to have the benefit of his advice and the experience for the purpose of acquiring other properties particularly wheat lands as the opportunity and the resources of the company permitted. The Company was, therefore, looking forward to a long term participation in the western Canada land market.

The evidence included in the prospectus in support of the quality of the land which the company intended to purchase consisted of extracts from reports made in 1911 by Hammond. His reports covered the quality of the soil, the potential for development and price of the land. The fruit land in these reports was described as being in an excellent location overlooking the whole of the Upper Arrow Lake with six miles of lake front. It had a seven-year-old orchard on the property with a house and various out-buildings which could be used as a headquarters for showing and selling the land. The land was also flat and easily cleared. The soil, which was free of rock and stones, was made up of decomposed granite. Three streams also

³²⁵ Prospectus, Canadian Dominion Development Limited, Bancroft Library, Z-G 2 Collection, Registrar of Companies Office, Bush House London.

³²⁶ Ibid.

flowed over the property which could be used for irrigation purposes if required.

In addition to these geographical advantages, the lands potential for colonization was also enhanced because of its location on the line of the Canadian Pacific Railway steamboats which passed Fosthall daily. If colonization was to begin, arrangements could be made whereby these steamers could stop at several points on the six mile shore line. These steamers connected with the mainline of the Canadian Pacific Railway at the north and the south of the lake, would permit the shipment of fruit both east and west on the mainline of the railway and east and west on the Crow's Nest line in southern British Columbia.

To illustrate the value of the land and that it was beyond the experimental stage in terms of its development, Hammond pointed out that at a location a few miles south of Fosthall the Kootenay Orchard Association had colonized a track of about two thousand acres, the retail price of the land being \$100 per acre for land not on the lake-shore, and \$125 per acre for lands on the lake-shore. Hammond considered the Fosthall lands to be the best compact body of good fruit lands contiguous to transportation remaining in southern British Columbia. Given its potential for development and the low price at which the company had acquired it, the lands would show a good profit in any reasonable time if sold en bloc.

In the reports by Hammond quoted in the prospectus, he also suggested that the preferable method of developing the land was

to sub-divide it into blocks of 5 and 10 acres each, put in roads at convenient intervals, establish certain points for steamboat landings and to sell the individual blocks to actual fruit-growers.

Hammond began his discussion of wheat lands by pointing out that:

the purchase of wheat lands in western Canada is attended by numerous conditions, all of which have to be taken into account in estimating the true value of a given body of land. Price as such has little significance except when considered in connection with all the conditions.³²⁷

Among the factors affecting the value of wheat land was the proportion of trees, or 'brush,' upon the land. The most valuable land, and the easiest to colonize, was the virgin prairie land, upon which no preliminary clearing was required, and which could be ploughed at once. On such land a farmer could arrive in the spring and harvest his crop in the autumn. Given this advantage, the open prairie land would be settled and cultivated several years before the brush-covered and treed lands. In making a purchase of wheat lands, therefore, the primary objective was to obtain open prairie land which in its present condition was entirely suitable for the plough. Based on this consideration, Hammond had turned down offers of land in Manitoba and in central and northern Alberta.

Another condition to be considered in determining the value of land was the fact that the extreme southern part of Alberta suffers occasionally from drought; in this district a large

³²⁷ Ibid.

amount of land has been irrigated.

In view of the two considerations mentioned, the safest investment in wheat land was to be found in the northern part of the open prairie district in the transitional zone between the prairies and the forest zone (See Map Two). An adequate amount of rainfall and few trees to impede the settlement process were the advantages of the land located in this area.

In terms of railway transportation in this area Hammond indicated that it was an important factor, "since the railways are rapidly making available every part of this open prairie district, and no part of it is at a prohibitive distance from railway lines that will be completed this and next year".³²⁸

Hammond then proceeded to describe the actual land which had been purchased beginning with the 5,100 acres from the Canadian Pacific Railway in the northern part of the open prairie district of Alberta (See Table Twelve for schedule of agreements). This particular acreage was described by government maps as having no trees and with only six acres being affected by water. The reports of the land examiners of the Canadian Pacific Railway according to Hammond also spoke of this land in the highest terms. In support of the purchase of the two lots in Winnipeg the prospectus provided statistics on the growth of Winnipeg.

As indicated in Table Twelve, the most expensive rural land was in British Columbia. The purchase of two lots in Winnipeg complemented the urban land purchased (See Table Eleven) by the

328 Ibid.

Canadian City and Town Properties Limited. The cost per lot in Winnipeg, which was over twice that of any other urban property acquired by this Liverpool investment group, limited their participation in that market.

Liverpool Western Canada Land Company

The Liverpool Western Canada Land Company, incorporated in 1911 and capitalized at the much smaller amount of £75,000, was organized to purchase 13,922.37 acres of land in Northern Alberta, south east of Edmonton, as well as urban properties in Vancouver. The Banfield Canadian Land Syndicate, from which this property was purchased for eleven dollars per acre, had originally purchased it for ten dollars per acre. W.L. Newsome and W.J. O. Bowcher were the Canadian authorities whose opinions were included in the prospectus in support of the value of the investment. Newsome, a partner in the firm of J.J. Banfield of Vancouver had "inspected and strongly advised the purchase of the land in Northern Alberta" while Bowcher a veteran of 30 years in the land business stated that one had "only to look at the luxurious crops now upon the 'homestead' sections in this vicinity to assure oneself of the great fertility of the soil".³²⁹

Conclusion

The Canadian Agency participated in all the phases of the

³²⁹ Prospectus, Canadian Dominion Development, Limited Bancroft Library, Z-G 2 Collection, Registrar of Companies Office, Bush House London.

Table Twelve

Canadian Dominion Development, Limited

Land Purchases

(Amounts are in acres unless otherwise indicated)

No.	Amount	Location	Total Price	Price per Acre/Lot
1	5,800	British Columbia	\$138,225	\$23.83
2	2 Lots	Winnipeg	\$175,000	\$87,500.00
3	5,100	Northern Alberta	\$76,500	\$15.00
4	534	Saskatchewan	\$8,010	\$15.00
5	160	Saskatchewan	\$2,240	\$14.00
6	320	Saskatchewan	\$4,480	\$14.00
7	320	Saskatchewan	\$4,480	\$14.00
8	309	Saskatchewan	\$4,320	\$14.00
9	160	Saskatchewan	\$2,240	\$14.00
10	320	Saskatchewan	\$5,120	\$16.00
Total Amount Paid			\$420,615	

Source: Prospectus, Canadian Dominion Development, Limited
Bancroft Library, Z-G 2 Collection, Registrar of Companies
Office, Bush House London.

Canadian boom beginning with the creation of the Western Canada and the Southern Alberta Land Companies in 1906. This involvement continued as the Canadian boom intensified after 1909 with the creation of the new subdivision in Saskatoon and the purchase of a subdivision in Winnipeg. The companies discussed in this chapter were created during the period from 1909-1914 and thus represent investment attracted by the new profit opportunities created by land speculation.

These companies, despite their much smaller size, contributed to the mood of euphoria, which as Kindleberger notes, precedes a financial crisis. During this period overtrading occurred which involved pure speculation based on rising land values along with overestimates of prospective returns and excessive gearing which means buying by instalments under circumstances in which one can sell the asset and transfer with it the obligation to make further payments. The method by which excessive gearing was achieved in western Canada was by means of the land purchase contract which could be acquired by new investors. With investment being attracted to the western Canadian land market simply because of rising land values, the western Canadian land boom had become self-sustaining.

Chapter Ten

Decline and realisation of assets

1912 - 1915

The three themes developed in this thesis to this point have been the questionable ability of Arthur Grenfell and his associates to effectively manage their investments in Canada; the importance of speculation in the western Canadian real estate market; and the ambivalent attitude of the British business community with regard to investment in Canada between 1905 and 1914. One or all three of these factors in varying degrees had an impact on the viability of the various British land companies active in western Canada. The purpose of this Chapter will be to bring together these three themes in a narrative of the events between 1912 and 1915. During this time the Canadian Agency went into liquidation, the majority of British land companies encountered difficulties prompting serious consideration of their future, the western Canadian real estate market collapsed and Canada's brief period of prominence as one of Britain's preferred locations for foreign investment came to an end. This chapter will, therefore, be concerned primarily with the crisis in the western Canada real estate market as it developed up to 1915. During this period only the fate of the Canadian Agency and the role of Arthur Grenfell as a City financier were fully resolved. The fate of the Western Canada and Southern Alberta Land Companies, along with that of the other land companies and their assets, was not fully determined until as late as 1954. Since the

resolution of that crisis in terms of the histories of the various companies dealt with in this study, is beyond the scope of this thesis, it will only comment briefly on the ultimate fate of the land companies created by the Canadian Agency as well as the fate of the other British land companies whose problems were now further compounded by the First World War.

This chapter will, therefore, only deal with the Canadian Agency in terms of its passage through the three stages in the death of a company which are indicated by this study. The first stage is a crisis which threatens the viability of the company thus forcing the management and/or the shareholders and/or the creditors to seriously consider the company's future. The crisis is followed by the appointment of a receiver or the creation of a committee of shareholders who review the company's assets and liabilities in order to determine if it can be reconstructed or if liquidation is necessary. The last step in this process involves the disposal of the assets of the company.

Phase One

May 1912 - December 1913

Southern Alberta Land Company

From 1906 to the fall of 1912 the Canadian Agency and its associated companies had given the appearance to outside observers of being administered efficiently. What expressions of concern that had been made about its administration, had been confined to the private and confidential correspondence between Guy Stewart St. Aubyn and Earl Grey and the occasional comment at

annual meetings or in the financial press. They were dealt with by the Board of Directors effectively enough to ensure that stock values continued to go up or at least remained stable and that the various companies had access to further capital as required.

The Canadian Agency and its associated companies thus looked forward to 1912 as a year of culmination for its six year effort to direct British capital into Canadian development. This sense of accomplishment was particularly true of the Southern Alberta Land Company which had tangible evidence of the investment made in the development of the lands of Canadian west in the form of an irrigation system which was supposedly nearing completion. To celebrate these accomplishments and to encourage further investment a grand tour by train made up of the Governor-General and various representatives of Britain's business community was organized by Arthur Grenfell.³³⁰ Included in the itinerary was the official opening of the headgates of the Southern Alberta Land Company irrigation system by the Governor-General. What was intended to be a celebration of success became a monument to failure. The collapse of the Canadian Agency thus began literally and figuratively with an engineering disaster in the irrigation works under construction by the Southern Alberta Land Company.

In addition to the Governor-General of Canada, the Duke of Connaught and the members of his staff, the group also included

³³⁰ This account of the event is based on a description by one of the participants Sir Lawrence Evelyn Jones, Bart. who included it in his memoirs entitled An Edwardian Youth London, MacMillan & Co. Ltd 1956 pp. 241-245.

Arthur and Nonus Grenfell and Sir Ronald Bertram Lane. This event was a particular pleasure for Lane since the Duke of Connaught was his former commanding officer. The stock holders in the Canadian Agency and the Southern Alberta Land Company were represented by William Illingworth who was a Manchester stockbroker. The remaining members of the group included representatives of the British financial community from London, Liverpool, Belfast and Scotland, colonial officials and Members of Parliament. H. Smaller, a cotton manufacturer, was the only representative of British industry. Press coverage of the event was provided by H. Hamilton Fyfe special correspondent of The Daily Mail and J. M. Watkins who was on the editorial staff of The Statist.

The itinerary of the group included stops in Winnipeg and Saskatoon to look at the subdivisions under development by the Canadian Agency in those cities. The trip seemed to go well until the group arrived in Southern Alberta where the attempt to open the headgates proved to be a disaster. According to Lawrence Jones who was Arthur Morton Grenfell's brother-in-law, the group was taken to the site in a number of motor-cars with the Duke of Connaught, Arthur Grenfell and the Canadian manager, James G. MacGregor in the first car. Since there was no road to the site of the intake, "the procession started, in single file, across the short prairie grass, snaking its way between the standing corn".³³¹

³³¹ Ibid., p. 244.

Lawrence Jones, who was in the last car, had the misfortune or fortune of riding in a car which had a flat tire. By the time it was repaired, the other cars were out of sight. Jones, however, was resourceful enough to be able to find his way to the appropriate location using a sketch map of the area. When he arrived he:

found the wreckage of a concrete dam in the river, and a small town of wooden huts on the bank. But all was silence. In one of the huts an old man was drinking coffee and eating pie. He was the caretaker. He confirmed that this was the 'intake'. But it had been wrecked by a flood many weeks before, and all the workmen had departed to earn better wages in harvesting. He had heard nothing about 'opening' ceremonies or Governor-Generals. Besides, the 'Big Cut' was nowhere near completed: we could go and look for ourselves. We did look. Even to our ignorant eyes it was clear that months of excavation would be needed before 'Cut' and Bow River could join hands. The old man pressed pie and coffee upon us. We lunched and waited. No cars appeared, and we returned to Medicine Hat.³³²

While Lawrence Jones and his party were waiting at the right location, The Governor-General and the rest of the party had been driving around the prairies apparently totally lost. The Duke of Connaught and his party returned about five o'clock in the afternoon in the opposite direction from which the intake was located. As a consequence of this trip "the occupants were dusty, tired, hungry and cross. There were rumours that H.R.H. was more than cross. The luncheon was eaten in silence; the champagne was luke-warm; there were no speeches."³³³

³³² Ibid., p. 244.

³³³ Ibid., pp. 244-245.

MacGregor may in fact have deliberately taken them in the wrong direction since :

He had known for weeks that there could be no opening ceremony, but had chosen to bring the Governor-General and his staff to Medicine Hat and to lead them in circles, without food or drink, for eight hours across the dusty plain, rather than confess to his employer that he failed in his undertaking.³³⁴

The Duke of Connaught was not told the truth about the situation since it was felt that he "would be less disturbed by a story of muddle than by one of bamboozlement ...".³³⁵

The first official report of the collapse of the intake which took place on 31 May 1912 was made by W.G. Bligh, Inspecting Engineer for the Department of the Interior. In his report, Bligh rejected the view that the collapse was an accident "due to the treacherous nature of the river bed, but simply to the disregard, or crass ignorance of the principles [of engineering] on the part of the engineer who designed the work".³³⁶

The response of the Southern Alberta Land Company was to release the Canadian Managing director, James MacGregor and his engineering staff who were replaced with an entirely new team of British and American engineers. This new engineering team included J.S. Beresford, former Inspector - General of Irrigation for India, who became the technical adviser to the Board of

³³⁴ Ibid., p. 245.

³³⁵ Ibid.

³³⁶ Originally quoted in Stotyn, "The Development of the Bow River Irrigation Project, 1906 - 1950" p. 72.

Directors in London. This was the first time that the Board of Directors in London had someone on staff who could provide them with accurate technical advice on the project. David Walker Hayes, former engineer to the United States Department of Irrigation, became chief Engineer in Canada and overall project manager. The consulting engineer was R.G. Kennedy former Chief Engineer for Irrigation, Punjab, India.

The first report prepared by the Company engineers was by R.G. Kennedy who noted that:

Here, as far as I can learn, the irrigation part has been regarded as a mere adjunct to the land concession, and the works have in many cases been undertaken in rather a light-hearted way, with no prior experience to justify the confidence entertained.³³⁷

Kennedy thus agreed with Bligh that the collapse was not an unfortunate accident but poor engineering.

A more extensive review of the entire system was completed in December 1913. While this report did not dispute the overall viability of the project, it did suggest various modifications and improvements which would have to be completed before substantial revenue from the sale of land and water rights could be expected. It was estimated that in addition to the \$3,354,874.73 which had already been spent, an additional \$2,392,000 would be required to complete the project.³³⁸

Despite the fact that this incident represented a major set-

³³⁷ Southern Alberta Land Company, Limited. Irrigation Scheme. Report by R.G. Kennedy 19 December 1912.

³³⁸ Stotyn, "The Development of the Bow River Irrigation Project, 1906-1950" p. 80.

back for the company, its officials continued to deal with the shareholders in much the same way that they had in the past by never losing their optimism about the future prospects of the system. In a circular letter dated 23 October the shareholders were provided with details about what was described as an "accident" and what the company planned to do about the situation. This letter began by reassuring the shareholders that "the chairman and two of your directors have recently returned from the Company's property, and as result of their visit are more than ever convinced of its great potential value".³³⁹ The letter went on to note that the damage was found to be greater than at first anticipated. They were now advised that a new intake should be built. The old intake structure represented an investment to date of \$274,419.25.

In order to undertake the construction of this new headgate the shareholders were advised in this same letter that "the Directors have considered it advisable to obtain the advice of an independent expert regarding its construction". In addition to dealing with the problem of the intake, the shareholders were also advised that the Board had "decided to take full advantage of the presence of experts on the ground to obtain further advice on the general scheme with a view to safe-guarding the Company as far as possible against any recurrence of a similar

³³⁹ The Southern Alberta Land Company. Circular Letter dated 23 October 1912. Financial Land & Investment Reports 1911-12 S-Z. Guild Hall Library.

nature".³⁴⁰

The circular letter of October 1912 was followed by an extra-ordinary meeting held on 14 March 1913 where it was proposed that the new capital be raised by the creation of £500,000 of 6% "A" Debenture Stock and to increase the capital of the company to £1,000,000 by the creation of £300,000 new shares of £1 each. The prospectus for the £250,000 6 % "A" Debenture Stock was issued in early April 1913 and was an updated version of the original prospectus issued in 1906.

The prospectus reviewed the development of the company since its incorporation in 1906 when it acquired its original land base of 390,573 acres and began the construction of the irrigation works with a view to the resale of the land. Since its incorporation the Company had acquired 44,437 acres of additional land and sold 64,000 acres so that its present holdings were approximately 371,000 acres. Of this amount 56,000 acres were under option at \$35 per acre for irrigable lands and \$20 per acre for dry lands and a further 25,000 acres were under option at \$40 per acre for irrigable land and \$27.50 per acre for dry lands. The prospectus also noted the development of the two townsites which were being developed by the company namely Ronalane and Suffield and the large supply of natural gas which had been struck near Ronalane.

Despite the circumstances, the issue was fairly well received in the City. The Financial Times commented that "the

³⁴⁰ Ibid.

company, in spite of the difficulty with the irrigation works and the necessity of altering the plans in this respect, is in a fairly strong position, and the bonds now offered may be counted a reasonable lock-up investment of their class".³⁴¹

Having raised more capital and hired a new engineering staff, the Southern Alberta Land Company carried on under the direction of Hays who instituted new procedures with respect to keeping London informed as to the progress being made. Under Hays' direction the actual work on the irrigation system included the construction of a new take and improvements to the main canal.

Between 1912 and 1914 the company also made tentative plans to develop the townsite of Ronalane as the company's headquarters. These plans included commissioning Montreal landscape architect Paul Phipps to prepare a plan, the construction of a headquarters building and the piping of gas from the Company's well on the Bow River. After evaluating the cost of the construction of the town and the related infrastructure, the Company postponed its plans to establish its headquarters at Ronalane.

A plan for the town was, however, prepared by Phipps before the Company had postponed its development plans. The town plan prepared by Phipps was a deliberate attempt to depart from the grid plan which had been used at Suffield and virtually every other townsite in western Canada. While a copy of the original

³⁴¹ The Financial Times, 8 April 1913.

plan has been lost, Phipps' description of it and the effect he was trying to achieve has survived. His description of the plan covers the street alignments, the size and shape of lots and land use with respect to the placement of buildings and green spaces to provide for vistas.

The routes of the main and cross roads, dictated largely by the natural contours, divide the ground up into blocks of various shapes and sizes. They are mostly irregular in outline, but they all lend themselves to convenient subdivision into lots of suitable size for building. The irregularity, therefore, is no disadvantage, but is, on the contrary, desirable; for without eccentricity or straining for effect, but by merely following natural lines, we get away from that checker-board pattern of ever-recurring rectangular blocks, which becomes so monotonous, especially in small towns.³⁴²

Despite the Board's effort to persuade the shareholders that nothing was wrong with the Company, problems did exist as indicated by the decision not to pay an interim dividend and by the rapid decline in the value of the shares of the Southern Alberta Land Company. As illustrated by Graph Two, the share values plummeted after 1912. This sharp downward trend coincides almost exactly with the announcement about the collapse of the intake.

These and other problems surfaced at the sixth ordinary general meeting held on 19 May 1913 where the suggestion was first made that a committee of shareholders should be established to assist in the administration of the company. This suggestion came from Mr. T.E. Topping who contrasted the extraordinary

³⁴² Paul Phipps to D.W. Hays 19 August 1913. Canada Land and Irrigation Company Papers, Glenbow Archives Calgary Alberta.

figures relating to the development of western Canada which had been presented to the meeting and the expenditure by the board of about £1,000,000 towards the construction of the irrigation system with the drop in the value of the share from 55s in 1911 to 17s in 1913.³⁴³ Topping also pointed out that there had been extensive transfers of shares between the directors of the Company and the directors of the Canadian Agency from April 1911 to April 1912. Grenfell responded to Topping's concerns by indicating that the share transactions were the result of the fact that he had been lending people money to buy shares in the Southern Alberta Land Company in an effort to stop the decline in the values of the shares. Since these people were acting as his representatives, there had been no actual transfers of shares.³⁴⁴ While these comments may have explained the stock transfers, they served to further indicate the decline in investor confidence.

Changes in the World Economy 1913

The collapse of the headgates and its consequences were followed in 1913 by what the Stock Exchange Year Book for 1914 described as "a period of unusual monetary stress at most of the great centres". In London interest rates averaged 4.77 % which was higher than they had been since 1866 with the exception of 1907 when the average was 4.90 %. This rise in interest rates was attributed to the Balkan War which forced the Western European

³⁴³ The Financial News, 20 May 1913.

³⁴⁴ Ibid.

Money Markets into a protective position and the fact that the increased volume of trade and the money absorbed by fresh loans had outstripped the normal accumulation of wealth. Other factors cited included the increased burden of taxation, higher cost of living and the higher cost of labour.³⁴⁵

The higher interest rates in London had a significant impact on Canada as explained by H.M.P. Eckardt in his articles dealing with Canadian banking during 1913. He observed that in the first half of 1913:

British capitalists having accumulated balances in Canada showed a marked disposition to convert the funds into bills on London for the purpose of taking advantages of the exceptional investment opportunities offered at home. There is reason to believe that this movement has been large enough to have some effect on the deposits of the Canadian banks.³⁴⁶

This led the Canadian banks, in his view, to engage in the disagreeable and thankless task of bring the trade and industry of Canada into adjustment with the fact that the flow of capital into Canada had been checked.³⁴⁷ The approach taken by the Canadian banks:

was to press for payment of loans and advances not required in the ordinary or regular business of the borrower, which were in other words negotiated for the purpose of undertaking outside ventures or

³⁴⁵ Stock Exchange Year Book for 1914 p. V.; See also "Capital on Strike" and "A Scramble for Capital" in The Bankers' Insurance Managers' and Agents' Magazine, November 1913; The Times, 9 October 1913.

³⁴⁶ H.M.P. Eckardt, "The Banking Half-Year in Canada" The Bankers' Insurance Managers' and Agents' Magazine Vol. XCVI (July to December, 1913) p. 336.

³⁴⁷ Ibid.

speculations; and new loans or credits were confined strictly to the regular business requirements of the customers. Each borrower was asked to limit his borrowing to the smallest possible sum. Extensions of factories and warehouses were discouraged unless the parties undertaking them had funds in hand to meet the payments necessitated. Municipalities were urged to be very careful about giving contracts for new works which would necessitate borrowing from the banks, and determined efforts were made to eliminate loans or credit which had been utilized to support the prevalent real estate speculation in Western Canada and in some Eastern cities.³⁴⁸

Despite the potential which this action had in creating a recession, the Anglo-Canadian business community was pleased with their response since it served, in the opinion of Sir Edmund Walker President of the Canadian Bank of Commerce, to:

demonstrate to outside critics that legitimate business and real estate speculation had not been intertwined in any serious degree - that the business prosperity of the West had been founded mainly on its producing power.³⁴⁹

The effort to slow down the economy and thus preserve Canadian credit in Britain brought an end to the expectation of endless expansion and the corresponding appreciation particularly in urban land values which had fuelled the real estate market. Falling land values had the effect of driving speculators out of the market, thus reducing demand for land in the wholesale market which is where most of the growth had taken place in the industry. The many companies who still had high inventories of land for sale now had to depend on buyers who actually wanted to

³⁴⁸ Ibid.

³⁴⁹ Canadian Bank of Commerce, Annual Report 30 November 1914.

use it for farming or building purposes.

Phase Two

January 1914 - July 1914

The second phase in the decline of the Canadian Agency and British investment in land generally began early in 1914 when the Canadian and General Trust Company incorrectly authorized the release by Chaplin, Milne, Grenfell & Co. directly to the Canadian Agency of the funds raised by the sale of debenture stock of the Chilean Northern Railway. The Canadian Agency under the terms of its 1907 agreement with Chaplin, Milne, Grenfell & Co., simply treated these funds as a loan for which security was provided and interest charged at the rate of 5 %. The Canadian Agency, in turn repaid Chaplin, Milne, Grenfell & Co. in order to allow Chaplin, Milne, Grenfell & Co. to discharge the banker's and cash credits which had been received to provide the interim financing for the railway with the exception of £554,321. It became necessary for Chaplin, Milne, Grenfell & Co. to make up this deficiency by borrowing from other banks.

While Chaplin, Milne, Grenfell & Co. were facing this crisis, Arthur Grenfell was engaged in another speculative venture which involved an attempt to take control of the stock of the Grand Trunk Pacific Railway. Even Grey cautioned Grenfell against this decision. Grenfell's intention was to buy up stock and to organize a new syndicate. He was driven by his fear that the company would fall under American control.

The City reacted very swiftly to these events as Arthur

Grenfell's problems multiplied in rapid succession during April, May and June, beginning with the Annual Meeting of the Western Canada Land Company, held on 7 April 1914 which neither he nor Allan Lane attended. The meeting was chaired by John Robert Tennant who conducted it in a very different way than had been in the case in the past. Gone was the boosterism to be replaced by a serious consideration of the economic circumstances in which the company found itself.

In May the crisis in Arthur Grenfell's career became more overt with the resignation on 8 May of J.S.P. Samborne from the Board of Directors of the Canadian Agency and Arthur Grenfell's own resignation on 19 May from the Board of Directors of Camp Bird Limited. His resignation was probably requested by the other directors when they discovered the unauthorized loans which the Company had made to the Canadian Agency as discussed in Chapter Eight. On 21 May Chaplin, Milne, Grenfell & Co. announced that Arthur Grenfell had ceased to be a director of the Company as of 17 February 1914. On 25 May Charles Ponsonby resigned from the Canadian Agency and on 26 May Grenfell's resignation from the Board of Directors of the Western Canada Land Company was accepted. These events culminated on 29 May with a petition by the Natomas Syndicate, one of the creditors of the Canadian Agency, requesting that a receiver be appointed to take over the affairs of the Company.

The efforts of his business associates to end Arthur Grenfell's career as a City financier intensified in June. On the

4th of June, Arthur Grenfell was forced to resign from the Board of Directors of the Messina (Transvaal) Development Company and the Emba Caspian Oil Company. On the same day an informal meeting of large holders of debenture stock of the Southern Alberta Land Company agreed to appoint a committee to look into the affairs of the Company. It consisted of Mr. Charles Lock, the Managing Director of the United States Debenture Corporation Ltd; Mr. F.L. Govett of Messrs. Govett Sons & Co. (Arthur Grenfell's brother Cecil was also a member of this firm) and Mr. Frederick T. Verner

On the 6th June Grenfell's career came to an end when the Official Receiver of the Canadian Agency was appointed the provisional liquidator of the Company at the request of the Canadian Agency. On 6 June Chaplin, Milne, Grenfell & Co. also suspended payment when the official receiver was appointed provisional liquidator on the company's own petition presented to the Court on the same day. Sir William Plender was appointed special manager of both Chaplin, Milne, Grenfell & Co. and the Canadian Agency on the 6th June. On 9th June Sir William Plender was also appointed Receiver and Manager of the Southern Alberta Land Company by an order of the court issued at the request of the shareholders committee created on the 4th June which had come to the conclusion that an application for a receiver and manager of the Company's property was essential in the interests of the Debenture Stockholders. The last in this sequence of calamitous events for Arthur Grenfell was the decision on 12 June by the

Western Canada Land Company to create a committee of stock holders to review the company's affairs and make recommendations on the action to be taken.

Grenfell's own assessment of these events is found in a letter to Earl Grey written on 30 May at the height of the effort to remove him from any position of authority in the City. This letter, which is very reminiscent of the ones he wrote to Grey in 1902 at the time of his first financial crisis, begins with an acknowledgement that he had "made a real mess of things and [that he was] in a bad hole".³⁵⁰ In the remaining portion of this letter Grenfell oscillates between blaming himself for his situation and blaming his problems on a conspiracy by fellow members of the financial community in London. He also defended himself against the rising chorus of criticism in the City with respect to his conduct particularly as it related to the acquisition of shares of the Grand Trunk Pacific Railway.

In the introduction of the letter Grenfell refers to the "very exaggerated accounts" of his dealings which had been going around the City. These exaggerated accounts, wrote Grenfell, had made him feel like a "general scape goat" because of the bad times during which so many accounts had to be liquidated, "it is small wonder that they should all have been put down to me . . ."³⁵¹

³⁵⁰ Arthur Grenfell to Earl Grey 30 May 1914. Earl Grey Papers, 4th Earl.

³⁵¹ Ibid.

In the case of the Canadian Agency the execution of the winding-up order was delayed because an effort was launched amongst Arthur's rapidly declining number of friends and business associates to try and save the Canadian Agency in some altered form without Arthur Grenfell, and to deal with some of the personal problems created for Grenfell by the collapse of his business career. The rescue effort appears to have been launched by the Messina (Transvaal) Development Company. The first step in the process was an informal review of the affairs of the Canadian Agency carried out by N. Herbert Smith, the results of which were reported to Earl Grey in some detail on 2 June 1914. In his interview with Earl Grey, Smith reported a number of irregularities in the affairs of the Canadian Agency, the most serious of which was the manner in which the Canadian Agency had handled a Trust Account of the Natomas Syndicate valued at £125,000. According to Smith, "as and when the Agency was in need of cash Arthur and Nonus Grenfell as Directors of the Agency took this cash on resolution of their own, converting the Trust Fund into a regular deposit with the Agency" and then using the deposit for other ventures such as the Western Ocean Syndicate.³⁵²

The mis-use of these funds resulted in a personal claim against Arthur and Nonus by the Natomas Syndicate which had the potential to put at least Arthur in prison. In an effort to

³⁵² Interview with Mr. Smith. Dorchester House, June 1914, Earl Grey Papers, 4th Earl.

prevent the Natomas Syndicate from taking action, Smith had already met with the Syndicate who promised to present a petition for the compulsory winding-up of the Agency if it did not receive immediate "guarantees signed by responsible parties undertaking at the beginning of October next to buy one half of the debt of £125,000 due from the Agency for £62,500".³⁵³ Smith could not meet this demand with the result that the Natomas Syndicate proceeded as promised. Smith could only promise that an effort would be made to raise a relief fund amongst Arthur Grenfell's friends which could be used to redeem any portion of the claim.

By June 4, however, the Natomas Syndicate reconsidered their rejection of Smith's offer probably because they found out that the Canadian Agency had few assets and therefore forcing it to be wound-up would not provide any funds to deal with their claim. Given this change on the part of the Natomas Syndicate, a serious attempt to deal with the situation could be launched. By 4 June the group involved in the effort to rescue the Canadian Agency and keep Arthur Grenfell out of prison had been expanded to include, not only Herbert Smith and Earl Grey but Robert Benson, Lady Wantage and Leonard Govett. As of 4 June, Smith with the help of his group had managed to buy some time to deal with the second crisis in Arthur Grenfell's business affairs. As Herbert Smith explained to Lady Wantage:

The affairs in connection with the Agency are very far from satisfactory, and it is impossible for me to assure you that Mr. Arthur Grenfell can be regarded as

³⁵³ Ibid.

free from the danger of prosecution. If the Natomas debt remains undealt with, I think it is practically certain that he will be prosecuted. On the other hand, if it is dealt with, he is by no means out of the wood, but his prospect of escape is fraught with materially less danger.³⁵⁴

Smith was, however, unable to deal with the Russian creditors of the Canadian Agency with the same success, thus forcing the winding up of the company for which the order was issued on 21 July 1914.

In the case of the Southern Alberta Land Company Sir William Plender continued his role as administrator. On 29 June 1914 he made a presentation in his role as manager of the Southern Alberta Land Company. In this presentation he indicated that negotiations were in progress with the Canadian Government with a view to obtaining financial assistance for the company, and since then he had been in daily communications with the representatives of the Company in Ottawa. As a result, he was hopeful that assistance would be forthcoming, provided the Debenture holders consented to his borrowing with the sanction of the Court, an amount not to exceed £77,000, including £7,000 already borrowed by him, and if \$800,000 were also made available. These funds were the amount which the engineers had estimated were needed to keep the project going to the end of July 1914.

In the case of the Western Canada Land Company any decision on continuing or liquidating the company was deferred pending the report of the committee. In a circular letter dated 12 June 1914

³⁵⁴ N. Herbert Smith to Lady Wantage, 4 June 1914. Earl Grey Papers, 4th Earl.

the shareholders were advised about the impact of the Canadian Agency failure on the Company, the resignation of Grenfell and Lane and, the decision by John R. Tennant and P.W. Machell, the remaining members of the Board, to invite some of the principal shareholders to participate in a detailed consideration of the Company's position. An extraordinary general meeting was held on 14 July for the purpose of considering the advisability of and if though fit passing a resolution for the appointment of an Advisory committee. This committee which was made up of Mr. Cuthberston and Mr. Emmerson a partner in the firm of Josolyne Miles & Co submitted its report 1st March 1915.

Other British Land Companies to 4 August 1914

With respect to the other British land companies during this period, one can note a number of immediate casualties. The Edmonton-Strathcona Land Syndicate went into voluntary liquidation even before the events of June 1913. On 21 April 1913 a special resolution was passed at a general meeting of the company to go into voluntary liquidation and appointing the British Canadian and General Investment Company of London as liquidators.

The companies which were being organized in 1913 generally did not proceed with any of their plans. The Western Canada Grain Lands Unit Company for example never proceeded to the allotment of the shares.

Phase Three

After 4 August 1914

Canadian Agency

With the commencement of the First World War on 4 August 1914, only the future of Chaplin, Milne, Grenfell & Co. had been decided. The process of dealing with the affairs of the Canadian Agency continued after the First World War started with the holding of the statutory meeting of creditors and contributories on 18 December 1914 at which time J. H. Stephens was appointed Liquidator with a shareholders committee of inspection.

The Official Receiver's Report on the Canadian Agency was issued on 13 February 1915. This document summarized the history of the company including its various convoluted transactions such as the Chilean Northern Railway which have been summarized elsewhere and most importantly raised question about the conduct of some of its officials. The report concluded with a financial statement of the overall position of the Canadian Agency which indicated that there was a deficit of £1, 358,192 8s. 3d.

With regard to the conduct of Company officials, the report focused on the large debt which Arthur Grenfell had with the Agency and the efforts made by Rivy Grenfell, Charles Ponsonby and the Secretary to not only conceal its existence but to take no action to prevent its growth. The running account which the Agency kept with Arthur Grenfell was opened in the Agency's books in August 1906. By 30 June 1910 the debit balance of this account was £61,654. By the date of the winding-up the balance had

increased to £1,009,578. According to the Receiver, the account was allowed to grow to this size because it was the practice "for the Agency's cheques to be drawn in favour of Grenfell's brokers and others at his direction, and without production of contract notes, etc., the amounts being debited to his account while certain receipts were credited".³⁵⁵ The efforts to conceal Arthur Grenfell's account were illustrated with reference to the preparation of the accounts for 1913. In these accounts:

the value of the investments was written up by £250,000, which was carried to an inner reserve to meet Grenfell's debt. The fact of the debt and the reserve was not disclosed in the printed accounts beyond a reference in the accountants' certificate to a further report they had made "relative to some details of the balance-sheet." This further report was read at the annual shareholders' meeting held on 30th December, 1913 at which A. M. Grenfell, R.N. Grenfell and C. Ponsonby and the secretary alone were present.³⁵⁶

The Receiver further illustrated the fact that the other directors were not prepared to deal with the serious implications of this debt by referring to the minutes in which no reference to the account actually appeared until 22 December 1913, at which time reference is made to the overdraft of £819,662 of which £376,420 was considered as secured. At this meeting, which was attended only by Arthur Grenfell, Rivy Grenfell and Charles Ponsonby, Arthur Grenfell explained that the account had increased in size because of his efforts to acquire shares in the Grand Trunk Railway. After hearing the explanation, the directors

³⁵⁵ Official Receiver's Report on the Canadian Agency, 13 February 1915.

³⁵⁶ Ibid.

decided to simply treat the account as a loan from the Agency. Arthur Grenfell was thus using the Canadian Agency as a means to obtain funds to indulge his habit of stock speculation.

Southern Alberta and Associated Land Companies

After 4 August 1914, the Southern Alberta Land Company continued to be managed by Sir William Plender who tried to obtain additional funds to complete the project. Given the failure of the Canadian Agency and the delays in raising funds to to complete the irrigation project, the future of both the Alberta Land Company and the Canadian Wheatlands was also jeopardized.

The Alberta Land Company encountered difficulties during the first year of the War beginning with its default on the payment of interest on its debenture stock which was due the 1 January 1915. This default resulted in the calling of a meeting on the 26 March 1915 at which time a provisional committee to enquire into the affairs of the company was established. The committee reported its results to the stockholders in a circular letter dated 17 August 1915.

This letter first reviewed the prospectus, highlighting the fact that the stock was secured by trust deed and that the objective of the company was to acquire 88,982 acres and other property in Southern Alberta "with a view to development and subsequent re-sale at a profit".³⁵⁷ Of the total acreage, 67,674 acres were held pursuant to an agreement with the Dominion

³⁵⁷ Ibid.

Government that the company irrigate more than 50 per cent of the land. These irrigation provisions were to be met by a contract with the Southern Alberta Land Company. In terms of the value of the land, the circular letter noted that based on the price of \$35 per acre for irrigable land and \$20 per acre for dry land, the value of the Company's property including other unspecified assets worked out at £517,449. With the capital raised by the Company added to this total, its total assets amounted to £607,449. The circular letter's review of the formation of the company and its objectives concluded with the observation that "the net proceeds of the issue would be applied to complete payment of the Company's property and would provide ample working capital for the developmnt of the property".³⁵⁸

The committee's report then continued with a description of the current situation. The committee found that the lands purchased had not been paid for in full and that some instalments of purchase money were overdue. The balance payable to the Government in respect of 67,674 acres was approximately \$101,000 and to the Hudson's Bay Company in respect of 21,308 acres \$138,000, making a total of \$239,000.³⁵⁹ The committee reported that the Alberta Land Company also owed the Southern Alberta Land Company \$111,000, making the total debt of the Company \$350,000.

³⁵⁸ Ibid.

³⁵⁹ Circular Letter dated 17 August 1915. Guildhall, Financial Land and Investment Reports 1914-15 A-Com.

Another problem for the company was that it was without funds since its cash balance, amounting to approximately \$450,000, had been on deposit with the Canadian Agency at the time the Canadian Agency went into liquidation. The securities held against this deposit were made up of the various companies associated with the Canadian Agency (See Table Thirteen). These shares were considered by the committee as of a "more or less unmarketable nature and we understand that the claim against the Canadian Agency Limited so far as it is not secured is of little or no value".³⁶⁰ The only good news in the report was that the Company had sold 20,000 shares in the Messina (Transvaal) Development Corporation and "it was hoped that the company would still profit if the realisation of these shares at an early date at or about the present price was possible".³⁶¹

The position of the Alberta Land Company was further undermined by the fact that the Southern Alberta Land Company, being without funds, was unable at present to proceed with the work of completing the main irrigation canal, and "there appears no probability of its being able to do so, so long as the present difficulties in regard to raising new monies prevail".³⁶²

Given the results of their investigation, the committee recommended that it would be in the best interest of the debenture stockholders that a Receiver be appointed. Mr.

360 Ibid.

361 Ibid.

362 Ibid.

Alexander Cameron was duly appointed to this position on 10 August 1915. The Alberta Land Company, along with the Canadian Wheatlands and the Southern Alberta Land Company, was incorporated into the Canada Land and Irrigation Company which was created in 1917.

Western Canada Land Company

The decision on the future of the Western Canada Land Company was delayed until the stockholders committee completed its investigation in 1915. The report was a detailed and very critical analysis of every aspect of the company's operation. It dealt with the land holdings of the company as well as the various subsidiaries. In regard to the land holdings, it began by noting that the unsold land of the company amounted to 191,136 acres and that the "financial crisis which existed in Canada before the war, and still continues, makes it practically impossible to sell any important portion of this at the present moment".³⁶³ The chief debts of the company were monies owed to the company by Powell and Lines under the terms of their contract to buy 200,000 acres. The remaining debts were also payments on land contracts. The committee felt that little could be done to collect these debts since "at the present time it is extremely difficult to collect even the interest due, apart from the actual instalments, and until times improve we think matters

³⁶³ Stockholders Committee Report, 1 March 1915. Guildhall Financial Land & Investment Reports, 1913-14 S-Z.

Table Thirteen

**Securities held by the Alberta Land Company as security
for its funds on deposit with the Canadian Agency**

40,175 shares Messina (Transvaal) Development Company

1,700 shares Central Cheleken Oilfields Limited

\$5,000 6 % bonds of Natomas Consolidated of California

2,000 shares of Canadian Wheatlands Limited

400 preference shares of Chaplin, Milne, Grenfell & Co.

£18,200 5 % debenture stock of the Canadian Agency

30,000 shares South Winnipeg Limited

will have to remain more or less at present".³⁶⁴ As events would later show, virtually all land would revert back to the company.

Despite the bleak outlook the committee had good news about the company's land holdings. They obtained opinions from land experts in Edmonton that the value of the land might fairly be taken at \$8 per acre instead of \$5.30, the figure set out on the balance sheet. If the land could be sold at this value there would be a surplus for the shareholders even after satisfying the debenture holders and creditors, "but obviously this hypothesis is dependent upon careful and judicious management and realisation and upon the trend of land prices in Canada".³⁶⁵

The committee found that the experimental farm which consisted of 1,280 acres was operating at a considerable loss and recommended its immediate sale. The committee found that "the buildings [had] been erected on a most extravagant lines, being suitable for a farm of 5,000 acres".³⁶⁶

The report began its discussion of the subsidiary companies of the Western Canada Land Company with the Peace River Trading & Land Co. Ltd. which had incurred a loss of \$88,339.25. According to its managing director, this company had no prospect of being carried on successfully in the near future. The current value of the shares in this company was about 30 per cent therefore the

364 Ibid.

365 Ibid.

366 Ibid.

Western Canada Land Company's 3,528 Preference Shares of \$100 each were only worth \$105,840.00.

The Western Canada Mortgage Company was incorporated in Alberta on 1st June 1911 to acquire the business of the Edmonton Homebuilders Limited. It had a capital of \$2,500,000 in 25,000 shares of \$100 each, all of which were issued to the Western Canada Land Company which owned \$2,400,000 and H.M.E. Evans the company's local representative who owned \$100,000. The actual net assets acquired only amounted to \$50,000, so that the extra capital, namely \$2,450,000, was paid in shares for Goodwill which in the opinion of the Committee was of no value. The company was simply repurchasing a company which it already owned. The company had made a net profit to 31 December 1913 of \$56,627.48. Supposedly \$24,377.80 was paid to the Western Canada Land Company and H.M.E. Evans as a dividend but no dividend was actually declared and no explanation was provided for the whereabouts of the money.

On the 25 October 1913, the Mortgage Company created a 5 % 20 year First Mortgage Debenture Issue of £300,000. The whole issue was sold to the Western Canada Land Company at a price of 88%. The Western Canada Land Company had in turn loaned the Western Canada Mortgage Company £273,540 15s. 10d., of which £105,000 was still outstanding. The committee felt that the Company had little prospect of being able to pay off the loan. The only assets of any value were the Company's freehold properties at Edmonton and Winnipeg. The valuation of the

Edmonton properties as of November 1912 was \$356,900 and the Winnipeg properties were valued at \$180,500. The property at Winnipeg was the most valuable since it was leased to the Canadian Fairbanks Company for fifteen years from the 1st May 1911 at an annual rental of \$13,915, being 8% on the cost of the land and warehouse. These assets were of added value because Canadian Fairbanks agreed to keep the building insured and to make all necessary repairs.

The committee's overall assessment of the company was that:

after writing off the loan to the Canadian Agency amounting with interest to £57,536 9s. 5d., Bond discount and expenses and goodwill, and making allowances for bad and doubtful debts, the advance available after paying the bonds and preferential credits may amount to \$32,000. If put on a proper basis and certain assets written off, the company should, under normal conditions, carry on its business so that after providing for its bond interest, there may be a small margin of net profit.³⁶⁷

The Great West Supply Company was formed to acquire from the Western Homebuilders its woodworking, plumbing and hardware business, the purchase price of which was fixed at \$196,684.43. The value of the assets was purely an estimate as no inventories were taken. The great West Supply Company was to pay for the purchase by issuing to Western Homebuilders the whole of the share capital of \$50,000, and was also required to pay off the debt due by the Western Homebuilders to the Western Canada Mortgage Company of \$146,684.43. The Western Homebuilders subsequently transferred its holding of \$50,000 of stock in the

367 Ibid.

Great West Supply Company to the Western Canada Mortgage Company against advances made by the latter and the Western Canada Mortgage Company in turn transferred the shares to the Western Canada Land Company. In December 1913, the capital was increased by \$200,000, all of which was issued to the Western Canada Land Company in part settlement of advances made. The net loss in the companies operations for the 21 months ended 30 June 1914 totalled \$69,508.76. If this company's assets were realised now, the Western Canada Land Company would not be likely to receive more than \$20,000 in respect of its holding of \$250,000.

It had been arranged that no further stock was to be purchased except to complete orders, that the book debts were to be collected as rapidly as possible and stock on hand realised, but there was little prospect of realising the bulk of the assets for some time. The expenses would be reduced to a minimum, and the losses for the next six months would be reduced.

Another asset of the Western Canada Mortgage Company was \$86,000 in respect of advances made to a Mr. Cairns in accordance with the agreement dated 25th May 1911, between the Canadian Agency Ltd and J.F. Cairns and the Western Canada Mortgage Company Ltd whereby certain lands at Saskatchewan were purchased over a term of years and of which the Canadian Agency were to take 5/10, Mr. J. F. Cairns 4/10 and Mr. Evans 1/10. So far as Mr. Cairns' position was concerned, the Western Canada Mortgage Company agreed to advance such sums as he might require, at 7 % per annum - such advances to be repayable at 25th May 1921. The

total purchase price of the land for the subdivision, including interest, was \$284,860, of which \$125,046 remained to be paid. Expenditures for land improvements amounted to \$37,524. The committee recommended in this situation that:

until it is ascertained what steps the liquidators of the Canadian Agency will take with regard to its share of the unpaid balance, it is extremely difficult to place a valuation on this debt, but we recommend that steps should be taken to prevent any further advance being made by the Mortgage company. We also advise the realisation of the Edmonton town properties and the Saskatchewan interests as soon as practicable. They also recommended that this company as a separate company should be ended since the Western Canada Land Company should be able to handle its affairs.³⁶⁸

Another asset of the Western Canada Land Company was £2,715 worth of shares in the Canadian Cottons Limited. The Western Canada Land Company had originally acquired £10,000 of 5 % First Refunding Mortgage Bonds due 2nd July 1940 of this company in April 1911. In 1913 £6,000 worth of bonds were sold at a loss of £369 2s. and in 1914 £1,000 worth of bonds were sold at a loss of £92 12s. The committee recommended that the loss to date and the anticipated loss if realised under present conditions, should be written off.

Another asset was £18,000 6 % First Mortgage Debenture Stock of the Anglo-Canadian Land Company which had been acquired by the Western Canada Land Company as part payment for the purchase of land. These securities, however, were of doubtful value since the interest on the bonds had not been paid since June 30 1913.

The Pembina Coal Company Limited which had been promoted by

the Western Canada Land Company in April 1910, had been formed to acquire certain coal lands situated at Evansburg, Alberta. The capital was \$1,100,000 divided into shares of \$100 each, all of which were represented by goodwill, with the exception of three shares paid for in cash. The purchase price of the property was \$500,000 and in consideration of this sum and the further provision of \$350,000 working capital, the company agreed to issue to the Western Canada Land Company, Limited, a First Mortgage Debenture Bond for \$1,000,000 which was equivalent to an issue at 85%.

The committee found that the coal obtained after the first shaft had been sunk proved to be so dirty that it was impossible to market at a profit. A second seam was located "which appears to be of a much better quality and practically free from dirt". Another problem discovered by the committee was that the working capital proved to be insufficient and further sums to the extent of £94,020 have been expended on the property which with interest outstanding of £3,525, brought the total amount invested in the undertaking to £272,474. Contrary to the optimistic reports provided to the shareholders, the committee reported that "it would appear that during the winter months small profits accrue, but in the remaining portion of the year losses are incurred so that the company has been a constant drain on the Western Canada Land Company". The committee's investigation included an actual visit to the mine where they

satisfied themselves by actual inspection, that a six foot seam of coal has been opened up and that about

300 tons per day can be won. The coal now being mined appears to sell readily, but the market is somewhat limited, and sales will probably not average for some time to come more than 250-300 tons per day, and only for six months of the year.³⁶⁹

Following their inspection, the committee found it "extremely difficult to form an opinion as to whether it can or cannot be profitably carried on".³⁷⁰ Given the mine's current capacity of 75,000 tons per annum the committee saw:

no immediate possibility of the Company repaying the advances made to it by the Western Canada Land Company or if the interest being earned on the debenture bonds. Sales for September were \$3,500, on which a net loss was made, but from 1st October an estimated profit of 1s. per ton has apparently been made. These results were arrived at before providing for depreciation, bond interest and interest on advances.³⁷¹

The final decision of the committee was to continue to lease the property to Evans and Hyde for a 12 month period from 1st October 1914. The property was to be kept in proper working condition, with them undertaking to pay existing liabilities amounting to about \$13,000, and the company would be relieved of all further expenses for the year ending 30th September 1915. The arrangement allowed the company to dispose of the remaining 9,750 acres of land not comprised in the workings, or covered by the mine buildings.

The report then discussed the situation with respect to the Canadian Agency. The amount of £54,000 and interest advanced to

³⁶⁹ Ibid.

³⁷⁰ Ibid.

³⁷¹ Ibid.

the Canadian Agency Limited, which in the opinion of the Committee should have been stated on the balance sheet as a loan and not a deposit, was considered irrecoverable.

The report concluded with a few general comments on the way the booking was carried out between these two companies. The committee noted that "In connection with these subsidiary companies, we beg to point out that interest has been debited to these and credited to the Western Canada Land Company, but to a large extent such interest was not received."³⁷² Their overall conclusion was that:

the Western Canada Land Company Limited, was formed to deal with land, and we do not consider that speculations such as the Pembina Coal Mine, the Peace River Trading Company, The Great West Supply Company, etc. (all of which have been carried on at a loss) should have been entered into.³⁷³

The report concluded with a recommendation for action given the fact that the company would not be able to pay the debenture interest due on the 2 October. The committee recommended that there was no other course to pursue than for the trustee for the debenture holders to take possession of the properties, by the appointment of a receiver. This was accordingly done, and Mr. A.O. Miles, of Messrs. Josolyne Miles and Co. was appointed to that office, the same time resigning his membership on the committee. The assets of the Western Canadian Land Company were eventually disposed of to the British Dominions Land Settlement

372 Ibid

373 Ibid.

Corporation.

Other British Land Companies

A number of land companies which had managed to survive the crisis of 1913 were still in operation in August 1914. The First World War, however, created an entirely new set of circumstances for those people trying to reorganize the companies which had already gone into liquidation, and added to the burdens of those companies which were continuing to operate despite the economic situation.

Casualties during the War included the Anglo-Canadian Land Company which had continued to sell small amounts of land even after the First World War started. The directors report prepared for the second annual general meeting of the Anglo-Canadian Land Company held on 30 December 1915 indicated that the company had sold 823 acres of land at Vegreville for \$13,328 which represented an average price of \$16.19 per acre and that from 1 January to 31 October 1915, 17 sales consisting of 2,820.26 acres at Vegreville have been made realizing \$43,392.29 or \$15.50 per acre. The company's income, however, was not sufficient to permit it to meet the interest on the first debenture stocks due at 30th June 1915 resulting in the appointment of a receiver who took possession of the company's assets as of 23 July, 1915.³⁷⁴ Despite these circumstances, the Report of the Directors to the second annual general meeting held on 30th December 1915 had an

³⁷⁴ Guildhall Library, Financial Land & Investment Reports, 1914-15, A-Comm.

Table Fourteen
Land Sales by Canadian City and Town Properties
Land Sales
1913 - 1954

Number	Location	Date Purchased	Price	Date Sold	Price Sold
1	Calgary	1910	\$30,000.00	1954	\$25,000.00
2	Calgary	1910	\$22,500.00	1954	\$25,000.00
3	Lethbridge	1910	\$12,080.00	1954	\$19,000.00
4	Lethbridge	1910	\$10,076.00	1947	\$10,000.00
5	Lethbridge	1910	\$5,580.00	1953	\$5,000.00
6	Lethbridge	1910	\$7,200.00	1944	\$6,000.00
7	Lethbridge	1910	\$7,200.00	1954	\$9,000.00
28	Edmonton	1910	\$35,000.00	1913	\$85,500.00

Source: South Alberta Land Registration District, Transfer Documents 5736GR, 5737GR, 5738GR, 5739GR, 8546FP, 6362GO, 449FJ, 6941AT.

optimistic tone indicating that "it was hoped that with the return of better times in Canada, of which there are already indications, the company's lands will be realized at such prices as will not only suffice to pay off all the company's liabilities but will enable a substantial return to the shareholders".³⁷⁵

Some of the British companies had sufficient cash reserves and low debts in order to wait for the better times which were expected to return after the war. The failure of the land market to recover after the war, however, ensured that these companies would not be rescued from their own impending failure. As a result, most of the remaining companies went into receivership by the mid-1920s. The failure of the land market to recover after the War ensured that the efforts of the liquidators to dispose of the assets of the various companies would take place over an extended period. This realisation process in some cases was not completed until 1954. Companies that illustrate this pattern included the Canadian Development Limited, the Canadian City and Town Properties Limited and the Western Canadian City and Town Lands Limited.

The events of this chapter raise obvious comparisons with Arthur Grenfell's financial crisis of 1902. The City in that instance was more forgiving than in 1914. In 1914 Grenfell had become a far more important member of the financial community and the effects of his personal crisis affected far more people. In 1914 his crisis could not be covered up by family members and

³⁷⁵ Ibid.

friends as had been the case in 1902.

The events of 1912-1914 closed the gap between the information which the shareholders had been receiving from Arthur Grenfell and his business associates, particularly Lane, since 1906. These various investigations continually revealed the extent to which funds were being mis-used and wasted on such projects as experimental farms, as well as the extent to which the shareholders were being in many cases deliberately misled. These reports introduced the first sense of reality into the economic decision making process with respect to many of the investments in western Canada in contrast to the boosterism of Grenfell.

Chapter Eleven

Conclusion

This thesis was written to achieve four objectives, the first of which was to present case studies of British-based companies active in the western Canadian land market during the British investment boom of 1905 to 1913. The Canadian Agency and the links between its investments in western Canadian land and its other investment activities throughout the world were given the greatest emphasis in this collection of case studies. The other objectives involved the use of these case studies to explore themes in the economic and social history of Britain and Canada. These themes included the social context of the Canadian Agency and the significance of the Canadian investment boom in the context of the overall economic relationship between Britain and Canada during the nineteenth and twentieth centuries. This concluding chapter will serve to draw together the information on the Canadian Agency, the various land companies including those organized by the Canadian Agency and to explore these general themes.

The Canadian Agency

The Canadian Agency, as originally envisaged by Arthur Grenfell, was to be an aggressive promoter of Canadian economic interests in London which was already being deluged during the Canadian boom by a massive volume of publicity by the Canadian High Commission, the individual provinces of Canada, various municipalities, all three of Canada's transcontinental railways

and sundry individuals promoting individual companies. In addition to this flow of information, a number of London based newspapers, some of which were dedicated specifically to Canada, were providing information on developments in Canada.

In addition to being a booster, Arthur Grenfell also wanted to create a Canadian market like the American market where only Canadian securities would be dealt with. In order to ensure that such a market would work, he also proposed the creation of a large Canadian trust company which would bring quality Canadian securities to this market. The Canadian Agency was the only concrete step which he took towards the achievement of this objective.

While the need to create yet another agency to 'boost' Canadian development was questionable given the number that were already engaged in that activity, the Canadian Agency was created at an opportune moment to reap the potential benefits of handling the increased capital flow from Britain to Canada since British interest in investing in Canada and the capital needs of the Canadian economy were starting to rise dramatically because of railway construction, immigration, urbanization, consolidation within various industries and the anxieties of the British aristocracy over the economic policies of Lloyd George. Grenfell's contacts in the City and in Canada through Earl Grey gave him access to information on how to organize such an agency and contacts with those people in the Anglo-Canadian business community involved in the trans-atlantic flow of capital. The

potential for the growth of such firms was demonstrated by the creation of other security firms in London dealing in Canadian securities.³⁷⁶

The timing of the creation of the Canadian Agency does not, however, indicate that Arthur Grenfell recognized this trend and acted upon this knowledge accordingly. The Canadian Agency's creation derived from more personal reasons which included the Fourth Earl Grey's appointment to the office of Governor-General of Canada which served as the catalyst for Arthur Grenfell to create this family and class based investment group.

Arthur Grenfell's decision to create the Canadian Agency was also influenced by his own personal situation in the City following his first financial crisis in 1902. In the opinion of Robert Benson, his indiscretions had cost him a distinguished career in the City similar to that of his relatives which could have included a directorship with the Bank of England and an imperial company. With these options closed, he had to settle for the lower class of directorship. The Canadian Agency and Canadian land companies were, presumably, located at a lower level of the City hierarchy.

Successful Aspects of the Canadian Agency

³⁷⁶ Gregory Marchland, "Hands Across the Water: Canadian Industrial Financiers in the City of London, 1905-20" Unpublished paper given at the 37th Annual Business History Conference, Toronto, March 1991.

The Canadian Agency functioned in the manner of a small holding company around which was organized a network of other much larger companies engaged in western Canadian land development, mining in Mexico and oil exploration in Russia. The details relating to this network can not be fully known because of the lack of records and, more importantly, because of the way Arthur Grenfell conducted his business affairs. Its small size was consistent with this role, however, because of Arthur Grenfell's approach to business, the Canadian Agency failed to effectively establish itself in Montreal or Toronto which was essential if it was to play a significant role in British investment in Canada.

Despite this problem, the Canadian Agency did serve as a useful vehicle for the re-integration of Arthur Grenfell into the City following his 1902 financial crisis. The extent of this recovery was evident in 1912 when he played a role in the creation of the Canadian Chamber of Commerce in London. His role in this pre-World War One Canadian Chamber of Commerce in London is also of interest because it was created to deal with some of the types of problems which would very soon thereafter be exemplified by companies created and directed by Arthur Grenfell.

The Canadian Agency was a financial success as indicated by Table Nine with profits on the years operations ranging from £6,438 to £128,974. One source of profits was the commissions charged on the various transaction which it did for the companies it organized. These transactions included the purchase of land

for the Western Canadian and Southern Alberta Land Companies. In these transactions, the Canadian Agency took full advantage of the situation to derive the maximum profit which would suggest that one of the motivations for the creation of these other companies was simply to provide business for the Canadian Agency rather than to achieve the objectives for which they were created. Given this role of the Canadian Agency, it served as a means by which a small group of London investors could exploit a much larger group of investors drawn from as far away as Dundee Scotland who owned shares in the Western Canada and Southern Alberta Land Companies.

Failure of the Canadian Agency

The failure of Grenfell to successfully exploit a excellent opportunity to create an investment house which could have specialized in Canadian securities, at least during this boom period, was the result of a number of factors, the most important of which was his own character which was that of a stock promoter and speculator rather than that of an entrepreneur raising money for investment and ultimately making a return on the dividends . paid by that company on its shares.

Arthur Grenfell also served to frustrate the efforts of his principal business partner, Guy Stewart St. Aubyn to make the Agency a success. This was illustrated in the failure of St. Aubyn's efforts to establish a Montreal office of the Canadian Agency because of the crisis in Arthur Grenfell's life caused by his marriage settlement. St. Aubyn's departure from the Board of

Directors was the result of his frustrations at having to protect the Canadian Agency from Arthur Grenfell.

The Canadian Agency also failed because of the dishonesty of Arthur Grenfell and some of his business associates as documented in the Official Receiver's Report. The efforts to cover-up the large loans made to Arthur Grenfell destroyed any potential goodwill which the shareholders might have shown during the crisis had the company's problems been the result of circumstances beyond his control.

Another factor was the imperialist agenda of the Canadian Agency. This aspect of its history is the most important link with the experience of Grenfell and Grey in South Africa where both individuals had direct contact with Cecil Rhodes, one of the most successful promoters of economic expansion combined with the extension of the British Empire. The role of the Canadian Agency as a promoter of imperial interests was Earl Grey's main contribution to the organization. Earl Grey was unrelenting in his efforts to direct business to the Agency. These business propositions were designed to ensure the dominance of British capital in Canada over American. The projects in Canada included various land development schemes while the projects in Britain included raising funds for the Wolfe-Montcalm statute and the tri-centennial celebration of the founding of Quebec in 1908. These projects distracted Grenfell from his responsibilities with the Canadian Agency.

The collapse of the Canadian Agency and Chaplin, Milne

Grenfell & Co. were significant events in the history of the City during the spring and summer of 1914. The latter firm in particular had been part of the London business community since the mid-nineteenth century. The original partners, Sir John Rose and Levi Morton had played a major role in financing the Canadian Pacific Railway which had initiated the large scale investment of British capital in western Canada in the 1880s. Their collapse, like the 1913 crisis in general, was overshadowed by World War One and continues to be poorly understood as an event distinct from the First World War as indicated by the business biography of Arthur Grenfell which appeared in the Dictionary of Business Biography published in 1984.

Land Companies

The Western Canada and Southern Alberta Land Companies were part of a large number of industrial and municipal securities which the Canadian Agency brought to the London market between 1905 and 1914. These companies were also part of a large group of British land companies created during this period which collectively raised £7 million, a relatively small compared to the stock of British direct investment in Canada as of 1914, estimated by Paterson to be £41.4 million and to portfolio investment in Canada which ranged from Simon's estimate of £411 million to Paish's estimate of £514.9 million. This investment is, however, significant because it complements other investments in railway and urban development and thus is part of the network of British economic interests in Canada.

The vast majority of the capital raised was used for the purchase of land. These companies invested this capital in 1,048,000 acres of rural land, the majority of which was in Alberta. The urban land holdings of these companies consisted of at least 5,846 acres of un-subdivided land and 1,481 lots in cities located throughout the prairie provinces. This land was acquired at prices ranging from \$3 per acre to \$15 per acre for rural land and at prices ranging from \$6,642.80 per lot to \$34,000.00 per lot for urban land. The rural land was sold at prices ranging from \$8 to \$12 per acre and the urban land was sold at prices ranging from \$5,000 to \$85,500 per lot. Much of the urban land held by these companies lost its value entirely and reverted back to agricultural use with the collapse of the real estate market in 1913.

Many of these companies diversified their holdings beyond wheat land and urban land in Manitoba, Saskatchewan and Alberta to include fruit land and urban land in British Columbia in an effort to keep pace with the inflation in land values as it moved from east to west. The company that diversified to the greatest extent was the Western Canada Land Company which established a coal mining company, building supply company, mortgage company and fur trade company.

In looking at the geographical distribution of the investment of these companies, the most important trend was its movement from east to west as part of the ongoing search for under-valued property which would appreciate in value as the

settlement process proceeded. This investment strategy was shared by virtually all of the companies ranging from the Western Canada Land Company with its 500,000 acres down to the Northern Alberta (Canada) Lands Syndicate with its 3,366 acres. This pattern is consistent with A.J. Christopher's observations of investment on a global scale in land. He noted that British companies were created for speculative or vague development purposes with profits "to be gained not only through sales, but through a rising land market associated with the settlement of adjacent lands".³⁷⁷ Given the record levels of immigration and railway construction during the period up to 1913, this was an appropriate investment strategy for those companies active in the real estate market.

Despite the fact that these companies could not have predicted the crisis of 1913 and World War One, they could have had a greater appreciation of the speculative pressures on western Canadian land values and the implications of the use of long-term land purchase contracts which made these companies vulnerable to any sharp drop in the market which was inevitable with or without World War One. The use of land purchase contracts created two markets in land, one of which involved the purchase of property by people actually intending to use it while the other involved the purchase of property by speculators. The participation of speculators gave a false impression of the

³⁷⁷ Christopher, "Patterns of British Overseas Investment in Land, 1885-1923," p. 455.

actual demand for land.

The Western Canada Land Company with its 500,000 acres illustrates these aspects of the western Canadian land market. After disappointing land sales during its first three years of operation, it solved the problem by selling large blocks of land to another group of speculators. The actual reduction of the Western Canada Land Company's inventory to 285,822 acres as a result of the Powell and Lines contracts would only have occurred if Powell and Lines had actually paid for the land for which they were under contract to purchase. The investment was an attempt to gamble on trends in the western Canadian land market which anticipated rising land values as settlement spread from east to west. Western Canada had by 1910 become a gigantic real estate futures market which could only remain viable if new capital was being added on a regular basis, if railway construction activity continued at record levels and if immigration continued at the same level.

The risks of investment in such a market were minimized by the company officials in the prospectus and at the various annual general meetings by constant reference to Canada's great future. Boosterism replaced proper management. Despite the potential for disaster of this approach, boosterism proved to be remarkably successful in placating the majority of the stock holders who raised only minor objections at the annual meetings.

Reasons for Failure

The mass failure of these British land companies can be attributed to a variety of factors, one of which was their false expectations with respect to land values which was based on an over estimating of the demand for land and their underestimating of the supply. The error in correctly predicting land value trends is particularly evident in the expectation that Canadian land values would continue to rise to meet those in the western United States. These companies believed that high immigration would rapidly use up the existing supply of new land. With land becoming a scarce resource, land values would go up as would demand for their property by settlers and other land speculators. As indicated by Table One, new land was being continually brought into the market by the Dominion Government through the homestead program or by direct sale to individuals and to the ever increasing number of land companies. Given the rising price of land, there was an incentive for virtually everyone to participate in the land market thus even individual settlers could also sell their land once they had acquired ownership from the Dominion Government. The land supply was clearly elastic and thus could adjust to any increases in immigration. As the statistics in Tables Two and Three indicate, rural land values actually stabilized during the height of the immigration boom.

The urban land market which became increasingly popular after 1909 also failed to deliver the anticipated returns because of the problem of over supply. The urban land market, as outlined

in Chapter Two, rapidly expanded beyond the actual needs of the various communities. Most of the British urban land companies purchased the majority of their property in these outside subdivisions which would not be in demand for building sites until after the Second World War.

These companies were also driven into liquidation because they depended almost entirely on land sales in a rising market for their income and made little effort to develop property for the purpose of deriving income from rents. With the collapse of land values beginning in 1913, these companies, with their capital tied up in a depreciating assets, had no alternative income. Having no alternative to generating income other than land sales, ensured that these companies would not be viable given a decline in land values and land sales. With a declining income these companies also had greater difficulty in paying the taxes on this property which added further incentive for them to abandon their participation in the market. As of 31 December 1914 a total of \$4,386,583.41 was owed to the various British, Canadian and American land companies in Alberta alone under the terms of these land purchase contracts. The largest single amount was \$615,384.78 which was owed to the Western Canada Land Company.³⁷⁸ The western Canadian real estate market was a house of cards built on land speculation which would collapse at any changes in the economy which may be expected to slow down the

³⁷⁸ Province Of Alberta, Provincial Secretaries Annual Report 1914.

rate of growth or to bring the boom mentality to an end. This study of British investment in land demonstrates the extent to which the Canadian boom created its own internal problems which contributed as much to its failure as did the advent of World War One.

Boom Psychology

These companies were participating in a market which was being increasingly driven by speculation, thus creating a growing gap particularly in urban land between land values and prices. The dynamics of this process are very accurately described by Kindleberger in his overall model of how an investment bubble develops. The displacement factors discussed by Kindleberger which would have initiated the cycle were immigration and railway construction. Immigration, which traditionally involved the movement of labour to regions where investment had created economic opportunities reversed its role during the latter stages of the boom and began to serve as a catalyst for further investment based on the anticipated increase in economic opportunity. Immigration, record levels of railway construction and the credulity of the land investor including those from Britain served as the basis for totally unrealistic expectations of the rate of future growth in western Canada.

In the case of the various land companies controlled by the Canadian Agency, their difficulties were complicated by other factors in addition to those noted above. The most important was the failure of their management to create an effective

organization. While Arthur Morton Grenfell was used as the scapegoat for the failure of the Canadian Agency, many of his business associates were also culpable in the failure. In the case of Grenfell, he could not chose between the roles of investment banker, stock promoter, stock speculator, Canadian booster, imperialist, political activist or polo player. While Arthur took most of the blame, other members of the board of directors such as his brother Nonus Riversdale and Major-General Sir Ronald Bertram Lane share some of the blame. The fact that Lane could return from his tour of western Canada in 1911 totally convinced that all was well, is an indication of his 'competence' to serve as chairman of the board.

James MacGregor and his engineering staff was also a weak link in the structure of the organization. The abortive attempt to have the Duke of Connaught officially open the headgates of the Southern Alberta Land Company in 1912 demonstrated the need for the London board to have much better information about and control over what was going on in Canada.

Additional problems were also created for the Western Canada and Southern Alberta Land Companies by the failure of the Canadian Agency and Chaplin, Milne, Grenfell & Co. which were caused by events in Chile. The role of the Emba Caspian Oil Company in forcing the liquidation of the Canadian Agency also shows how events outside the region affected the viability of these western Canada land companies. The history of the Canadian Agency also shows the extent to which investment in western

Canadian land was integrated into other investment activities both in Canada and in other parts of the global economy. Thus the difficulties arising from financing the Chilean Northern Railway Company could ultimately lead to problems for the Western Canada Land and Southern Alberta Land Companies because of the common link they had with the Canadian Agency and Chaplin, Milne, Grenfell & Co.

Most of the individuals associated with western Canadian land companies were caught up in the rhetoric of the boom and ignored the fact that real estate values operated in a cyclical fashion along with the rest of the overall business cycle. The investors who choose to come into the market after 1912 or stay in either mis-judged the business cycle or chose to ignore it. This willingness to ignore the realities of a capitalist economy with its inherent peak and trough cycle extended to the Prime Minister of Canada, Sir Wilfred Laurier. Canada's challenge to the United States to be the world's richest country proved to be a mirage.

Factors Beyond Their Control

While these land companies created some of their own problems, their fate was also affected by the economic crisis of 1913 and the particular way that crisis affected Canada. The 1913 crisis was caused, in part, by a sudden scarcity of capital which led to 'congestion' in the market as a number of City firms were caught with large volumes of unsold securities which included

those of western Canadian cities.³⁷⁹ This situation brought an end to the era of low interest rates and the willingness of the investment community in London to continually re-finance companies which consistently underestimated costs of operation and over estimated returns on the investment. The scarcity of capital and congestion in the market may also suggest that London had reached the limits of its capacity or willingness to serve as the world's banker given the rapid expansion of the world economy during the late nineteenth and early twentieth centuries. The new mood in London was indicated by the attitude taken by the review committees established to examine the Canadian Agency and its group of companies. Shareholders were no longer willing to defer financial returns and to fund companies which were losing money on the basis of future gain as they had been during the era of excess capital.

The rising interest rates attracted investment funds back to London and away from investment in Canada. The removal of these funds had the effect of reducing the amount of credit which could be extended by the Canadian banks. The Canadian banks, in turn over reacted to this event and launched a program to further reduce credit and thus slow down the economy. The action by the banks intensified the impact that this period of financial stringency had on the western Canada real estate market.

A second factor beyond the control of these companies was

³⁷⁹ "Capital on Strike" and "A Scramble for Capital" in The Bankers' Insurance Managers' and Agents' Magazine, November 1913.

the First World War which served to intensify the impact of the crisis of 1913 on the western Canadian land market since it affected the two major catalysts of the boom mentality, namely immigration and railway construction. The impact of the war on land values was not entirely negative since the demand for wheat and the increase in prices led to higher land values for land immediately available for cultivation. As a result rural land values in the settled area of the region increased as a reflection of the increased price of wheat during the War. The increased demand for land by established farmers compensated for the decline in demand from new settlers caused by the decline in immigration. Most of the companies in this study seem to have been unable to take advantage of this trend. This can be explained by the fact that most of them were in receivership by the time this change in the market had taken place.

In reviewing the individual histories of these companies, no company was found to have been successful in raising capital in Britain, investing it in Canadian land and then selling the entire amount at a profit margin predicted by the prospectus. All of these companies were forced into liquidation still in possession of large land inventories which in some cases were only disposed of decades after the company went into liquidation. This outcome was by no means unique to British land companies, since the majority of the Canadian and American land companies created during this period suffered the same fate. Therefore, any discussion of the errors made by the British land companies can

be applied to other participants in the industry as well.

In assessing the overall failure of British direct investments in Canada, Paterson concluded that:

Decision-making authority far removed from the area of economic activity was bound to slow down the process of reaching economic decisions. It was also likely to lead to less well-informed decisions, because of unfamiliarity with local Canadian conditions. When this failure to delegate responsibility was coupled with unwillingness to engage local expert opinion, the results usually led to unprofitability.³⁸⁰

This assessment is not correct with respect to land companies since considerable delegation of authority to their Canadian managers was made. In the case of the Southern Alberta Land Company, the London board made the mistake of delegating too much authority to its Canadian manager and then compounding the problem by not setting up the proper monitoring procedures to provide it with accurate information. The grand tours of members of the Board of Directors, who lacked the necessary background in irrigation engineering, were no compensation for the lack of such a system. Other land companies operated through Canadian based sales organizations upon whom they depended for information.

As the debate in London over British investment in Canada illustrates, the City was not of one mind in terms of its view of the future of Canada. This difference of opinion was represented by The Times and The Economist. The Times and the other papers controlled by the Harmsworth Brothers had the most positive view of Canada's future. Their attitude was to be expected given the

³⁸⁰ D.L. Paterson, British Direct Investment in Canada, 1890-1914; Estimates and Determinants, pp. 101-102.

fact that the Harmsworth Brothers had made their contribution to this event through the creation of the Anglo-Newfoundland Development Corporation and through the promotion of the Town of Mirror which was named after The Daily Mirror. The fact that the Harmsworth brothers were imperialists and in the process of becoming gentlemanly capitalists themselves must also have played some role in the way they evaluated the Canadian boom. Thus The Times unlike The Economist had a vested interest in not critically evaluating the true nature of the boom.

Social Context of the Canadian Agency

The literature on the City as discussed in the introductory chapter includes a number of sources which describe its existence as a social institution dominated by a particular class in British society. This literature also notes the importance of this social network in terms of British investment overseas through the operation of investment groups. This literature has served as the frame work for the preparation of chapter two which outlined the progress of the Grenfell family from Cornish metal merchants to established members of the London banking community while at the same time making their successful entry into the British aristocracy. The family had thus successfully made the transition into becoming gentlemanly capitalists well before Arthur Morton Grenfell commenced his business career in the City.

The material presented in subsequent chapters on the Canadian Agency serves to document how the City actually operated

as a social system using Arthur Grenfell's career as an example. Arthur Grenfell's career in the City made use of the social network established by other members of the family beginning with his first position with the Morgan Bank. His business relationship with Grey and the Canadian Agency was based on, and served to further reinforce, this social network. The dominance of gentlemanly capitalists in this organization is clearly evident in the first allotment of shares in the Canadian Agency.

Arthur Grenfell's business career in the City prior to World War One would confirm the view of Cain and Michie that class membership was important if not essential for entry into this business community. Arthur Grenfell, as a member of the appropriate class, did not earn his position in the City on merit. It also suggests that this system is sufficiently strong to protect anyone from the consequences of any mistakes caused by poor judgement or dishonesty at least to the degree of keeping them out of prison. The deliberate effort to drive Grenfell from the City following his second financial crisis in 1914 was belated recognition of his inadequacies as a member of that community. Using Arthur Grenfell as an example, this social network was not serving the needs of the City in terms of recruiting the best qualified people to ensure London's efficient operation as a world financial centre. Grenfell's career also shows the stratification of the City with certain directorships being more prestigious than others. The Bank of England and imperial companies such as the Royal South Africa Company were on

the top of this hierarchy.

The material contained in this thesis would also suggest that the preference of the Canadian Agency for investment in land reflects the importance for the gentry and aristocracy of this type of investment. Earl Grey's comment about the number of Members of Parliament and Peers who were anxious to convert their British acres in Canadian ones would support such an interpretation.

The Canadian boom and the British Foreign Investment Cycle

The third objective was to examine the Canadian boom in relationship to other booms in British investment during the nineteenth and early twentieth centuries. The Canadian boom conforms to the standard pattern as defined by Cottrell in that you have a "speculative spurt of lending concentrated on a particular area, followed by default and the failure of reality to match expectations."³⁸¹ The Canadian boom as one aspect of British foreign investment during the Edwardian Climax would suggest that this pattern of investment is being affected to a greater degree by push factors than had been the case before. The greater importance of push factors explains the higher volume of capital exports and their diversification.

The Canadian Boom and Anglo-Canadian Affairs

The fourth objective was to explore the significance of the Canadian investment boom of 1905 to 1913 within the context of

³⁸¹ P.L. Cottrell, British Overseas Investment in the Nineteenth Century p. 20.

the overall economic relationship between Britain and Canada during the nineteenth and twentieth centuries. From this perspective, Arthur Grenfell's efforts to direct British capital and labour to Canada was part of a long tradition going back to at least 1866 when William Dixon was engaged as Canadian Agent for Immigration at Liverpool for the emigration season of that year.

Following Dixon's first effort to publicize the attractions of Canada as a field for settlement:

the English, Scottish and Irish, and to a lesser extent the European, peoples were subjected for seventy years to a ceaseless barrage of publicity about Canada - through the spoken and written word, by posters, pamphlets, newspapers advertisements, public lectures and magic lantern slides, private letters and displays of Canadian products at agricultural fairs and exhibitions.³⁸²

The marketing of the shares in the various western Canadian land companies was part of this booster tradition which also came to the aid of company directors when the expectations of income from land sales fell short of the results anticipated.

The results of these promotional efforts in Britain, however, proved disappointing in terms of creating the favourable impression of Canada sought by the people engaged in this activity. After a tour of inspection in 1902, James A. Smart, Deputy Minister of the Department of the Interior reported that in many parts of England and on the Continent he "found the same old cry of a cold climate being raised, and it [seemed] to be the

³⁸² H. Gordon Skilling, Canadian Representation Abroad, (Toronto: The Ryerson Press, 1945), p. 15.

bugbear with a great many people who would otherwise like to move to Canada."³⁸³ Another detrimental factor identified by Smart was that:

many people believe that in coming here they will simply hew their way through the woods as did the early settlers in the eastern provinces some 75 or 100 years ago and that in order to prepare a sufficient quantity of land to raise a crop they must first clear it of all the timber.³⁸⁴

W.T.R. Preston who was Inspector of Agencies in Europe for the Department of the Interior made one of the few admissions that the British people may in fact have been coming to the correct conclusions about Canada given the information they were receiving when he suggested that "all lantern slides showing Indians, ice palaces, snow slides and like scenes ought to be broken".³⁸⁵ Canadians never fully understood that their efforts to boost Canada as a second United States were not being taken seriously by many British people. Canadian boosterism was in fact being counter productive in terms of the impression of Canada it was creating outside the country. This fact for example helps to explain the hostile attitude of The Economist.

Given this relatively long period of failure to attract the undivided attention of the British people in general and the London business community in particular, the Canadian boom must be seen as an anomaly in the overall relationship between Britain

³⁸³ Ibid. p. 17.

³⁸⁴ Ibid.

³⁸⁵ Ibid.

and Canada. This anomaly can be explained by the fact that the Canadian boom does not reflect a fundamental change in the perception of Canada but rather the impact of domestic politics in Britain on the investment decisions of the British aristocracy.

The collapse of the Canadian Agency in 1914 confirmed the expectations of some members of the London business community such as The Economist about the risks of investing in Canada. The collapse of the Canadian Agency, however, proved to be only the start of a series of events which would usher in a new era of crisis in the economic relationship between Canada and Britain. The collapse of the Canadian boom and the Canadian Agency also did not simply end a boom in British investment. It also began a period of decline for the Anglo-Canadian business community in London which would continue after the War with the nationalization of the Canadian Northern and Grand Trunk Railway systems. As Dunning points out:

quite apart from her reduced ability to invest overseas and the higher yields being paid on gilt-edged securities in the London market, the nationalization dispute over the Grand Trunk Railway (in which there were considerable sums of UK capital invested) antagonized British investors and made them reluctant to extend their portfolio holdings.³⁸⁶

Given the consequences, boosterism as an approach to raising capital and managing a company proved to be disastrous for the company, its shareholders and counter productive in terms of re-

³⁸⁶ John H. Dunning Studies in International Investment. p. 195.

establishing Canada's credibility in the City. It raised expectations before the crash which were perceived to be unrealistic by some members of the business community and then alienated a large group of investors both large and small who lost their investments because of the collapse of the boom. Real estate investment thus acquired an importance which went beyond its monetary value. It became a symbol of what some people saw as the fraudulent manner by which Canada was acquiring its capital from Britain.

In the context of the relationship between Britain and Canada, the collapse of the Canadian land boom and the Canadian Agency represents a lost opportunity to establish a stronger economic relationship between the two countries. It demonstrated the gap between the boosterism of the Canadian boom and the actual level of economic growth. This gap was particularly evident with the Canadian Agency which began as an attempt by Arthur Grenfell to encourage British investment in Canada, but would instead provide a perfect example for the critics of Canadian investment which had predicted a disastrous end to the Canadian boom.

Appendix A**Companies Incorporated in England**

Alberta Land Company Limited

Alberta Townships

Anglo-Canadian Lands

Bowness Estates, Limited

British Alberta Company

British American Land Company

British and Canadian Land Company

British Canadian Realty Limited (Ontario)

British Columbia Development Association

British Columbia Fruit Lands Ltd

British Columbia (Kootenay) Land and Finance Ltd

British Columbia Land & Investment Agency

Calgary and Medicine Hat Land Company

Calgary and Western Land Company.

Calgary Investment Syndicate

Canada Homestead Settlement Company Limited

Canadian Agricultural, Coal and Colonization Company Limited

Canadian Agricultural Land & General Investment Company

Canadian Capital Investments Limited

Canadian City Estates Limited

Canadian City & Town Properties

Canadian Co-operative Colonization Company Limited

Canadian Development Company

Canadian Dominion Development Limited

Canadian Estates Limited
Canadian Finance and Land Co.
Canadian Investors (Birmingham) Limited.
Canadian Land Reclaiming and Colonization Company Limited.
Canadian Land and Ranche Company
Canadian Real Properties Limited
Canadian Resources Development Company Limited
Canadian Securities Limited.
Canadian Townsites Limited
Canadian Wheat Lands
Dominion and British Lands Company Limited
Dominion Lands Company
Edmonton Land Syndicate
Edmonton & Strathcona Land Syndicate
Edmonton, Winnipeg and British Columbia Investment Agency Ltd
Fort George Syndicate Limited
International Realty
Investment Corporation of Canada Limited
Lands Selection Syndicate of Canada
Liverpool Western Canada Land Company
Lloydminster Canada Land Co
Nelson (B.C.) Syndicate Limited
North Coast Land Company
North Saskatchewan Land Company
North Vancouver Land Company Source
Northern Alberta (Canada) Land Syndicate

Red Deer (Alberta) Land Company
Regina (Canada) Town and Country Estates Limited
Saskatchewan Land Syndicate
South Winnipeg
Southern Alberta Land Company
Western Canada Grain Lands Unit Company
Western Canada Investment Company
Western Canada Land Company
Western Canada Townlots
Western Canadian City & Town Lands Ltd
Western Land and Townlots Company
Western Provinces Cooperative Realty Company

Appendix B**Companies Incorporated in Scotland**

British Columbia Farms

Canada North-West Investment Company

Canadian Assests

Canadian Land & Investment Company.

Edinburgh-Vancouver Investment Syndicate

Glasgow-Canadian Investment Company

Kamloops Land and Development Company

London Scottish Canadian Investment Syndicate

Manitoba Assets

Mid-Alberta Land & Investment Syndicate

Scottish Alberta Land Syndicate

Scottish-Canadian Development Company

Scottish-Canadian Fruit and Land Company

Scottish-Canadian Land and Settlement Association

Scottish Manitoba Company

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