

HIGH FINANCE AND LOW MODERNISM:

The Failure of the Wenner-Gren British Columbia Project, 1956–61

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IN HIS RECENT STUDY OF the erratic trajectories of several development projects in northern British Columbia, geographer Jonathan Peyton declares that “failure, conceptually and analytically, looms large.”¹ Heeding calls to analyze “the failing businesses ... all around us,” this article explores another such failure, Swedish financier Axel Wenner-Gren’s British Columbia project during the period between 1956 and 1961.² In this case, two episodes attracted attention. First, after the Social Credit provincial government belatedly revealed an agreement in 1957 that would allow the financier to develop the resources of the Rocky Mountain Trench by building a futuristic monorail 650 kilometres (400 miles) along it, Wenner-Gren’s celebrity briefly extended from Sweden to British Columbia and drew breathless newspaper accounts.³ Second, in 1961, the financier’s hydroelectric development company, which had made few steps to construct a dam on the Peace River with an investment of

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¹ Jonathan Peyton, *Unbuilt Environments: Tracing Postwar Development in Northwest British Columbia* (Vancouver: UBC Press, 2017), 14. For another examination of development projects that failed, see John Ralph Wedley, “Infrastructure and Resources: Governments and Their Promotion of Northern Development in British Columbia, 1945–75” (PhD diss., University of Western Ontario, 1986).

² Arjan van Rooij, “Sisyphus in Business: Success, Failure and the Different Types of Failure,” *Business History* 57, no. 2 (2015): 203; Patrick Fridenson, “Business Failure and the Agenda of Business History,” *Enterprise and Society* 5, no. 4 (2004): 563.

³ As the founder of Electrolux, Wenner-Gren, the “vacuum cleaner king,” was a household name in Sweden. See Ronald Fagerfjäll, *Shape Living for the Better: The First 100 Years of Electrolux* (Stockholm: Business History Publishing, 2018), 63. On his later celebrity, see Jenny Ljungberg, “The Wenner-Grens’ Glamorous Life at the Palace,” in *Reality and Myth: A Symposium on Axel Wenner-Gren*, ed. Iija Luciak and Bertil Daneholt (Stockholm: Wenner-Gren Center, 2012), 75–76.

less than 1 percent of the project's ultimate cost,⁴ was expropriated by the provincial government. That generated controversy and another wave of newspaper articles. These accounts, which exaggerated the wealth of the "international man of mystery" and the significance of his investment in British Columbia,⁵ have influenced the coverage of the Wenner-Gren project in both general works on Premier W.A.C. Bennett and detailed studies of several aspects of economic development.⁶

Drawing on James C. Scott's analysis of flawed state schemes as well as a review of engineering plans for the construction of the dam on the Peace River, historian Tina Loo makes an important attempt to engage theory by describing Wenner-Gren as a high modernist "whose ambitions were equal to the scale of the premier's vision," but whose "group faltered."⁷ The destruction of Wenner-Gren company records

⁴ David J. Mitchell, *W.A.C.: Bennett and the Rise of British Columbia* (Vancouver: Douglas and McIntyre, 1983), 372, estimates that the total expenditure for the structure was \$750 million. The ceiling estimate of Wenner-Gren expenditure on the hydro venture is \$4.5 million. See Table 1 below. Unless otherwise noted, sums are in Canadian dollars.

⁵ *Daily Colonist* (Victoria), 13 February 1957. The *Vancouver Province*, 12 February 1957, sketched the outlines of the career of an entrepreneurial titan to fit his expected activities as partner in a giant deal: "Although not as well known as the Rockefellers, he ranks with them in terms of power and influence." The *Vancouver Sun*, 11 March 1957, described him as the "Swedish Midas." For the most balanced Canadian article on the project, see Eric Hutton, "Is BC's Fanfare for Wenner-Gren Another False Alarm?," *Maclean's*, 13 April 1957. I have not located a Canadian article that reports some of the voluminous information available in Swedish newspapers.

⁶ General works that consider the Wenner-Gren project include Paddy Sherman, *Bennett* (Toronto: McClelland and Stewart, 1966), 216–34; Martin Robin, *Pillars of Profit: The Company Province, 1934–1972* (Toronto: McClelland and Stewart, 1973), 207–10; and Mitchell, *W.A.C.*, 286–88, 297–98. Detailed studies of Bennett's conflict with Wenner-Gren include Stephen G. Tomblin, "In Defense of Territory: Province-Building under W.A.C. Bennett" (PhD diss., University of British Columbia, 1985), 164–71; Wedley, "Infrastructure and Resources," 247–310; and Aaron Kempf, "Co-opting an Empire: The Dissolution of the Central British Columbia Development Project" (BA honours thesis, University of Victoria, 2007). Analyses of megaproject elements contemplated or initiated by Wenner-Gren include Neil A. Swainson, *Conflict over the Columbia: The Canadian Background to an Historic Treaty* (Montreal and Kingston: McGill-Queen's University Press, 1979), 82–83, 95, 193–95, 201–2; Matthew D. Evenden, *Fish versus Power: An Environmental History of the Fraser River* (New York: Cambridge University Press, 2004), 179–82; and Meg Stanley, *Voices from Two Rivers: Harnessing the Power of the Peace and Columbia* (Vancouver: Douglas and McIntyre, 2010), 29–44. Investigations of Wenner-Gren's role in the project's impact on Indigenous communities include Holly Nathan, "Building Dams, Constructing Stories: The Press, the Sekani and the Peace River Dam, 1957–1969" (MA thesis, University of Northern British Columbia, 2009); and Daniel Sims, "Dam Bennett: The Impacts of the W.A.C. Bennett Dam and Williston Lake Reservoir on the Tsek'ehne of Northern British Columbia" (PhD diss., University of Alberta, 2017).

⁷ Scott defines high modernist ideology as "self-confidence about scientific and technical progress, the expansion of production, the growing satisfaction of human needs, the mastery of nature (including human nature), and above all, the rational design of social order commensurate with the scientific understanding of natural laws ... It was ... uncritical, unskeptical, and thus unscientifically optimistic about the possibilities for the comprehensive planning of human settlement and production." James C. Scott, *Seeing Like a State: How Certain Schemes*

following the closure of its Vancouver office in 1964 and the absence of government documents at the ministerial level, however, compels Loo and other scholars to search for evidence in the self-serving later recollections of politicians who patronize Wenner-Gren and discount the government's initial interest in and concessions for the project.⁸ Thus, even studies that focus on specific Wenner-Gren companies do not illuminate the financier's motives and actions.⁹

This study makes a reconnaissance of "Swedish Columbia," a Victoria barber's imprecation of the Wenner-Gren project, which implies that important elements of communication within, as well as control of, the venture were Swedish.¹⁰ After suggesting a motive for Wenner-Gren's puzzling investment in British Columbia, it draws on company records in Sweden to set out the structure and strategy of the organization that he created. The extraordinary private correspondence of Wenner-Gren with his general manager, Birger Strid, later convicted for fraud and breach of trust in the manipulation of funds in one of the financier's philanthropic foundations, offers an unvarnished contemporary view of Wenner-Gren's deteriorating finances concerning the British Columbia project (see Figure 1).¹¹ It brings to the study of business failure an unusual inside source.¹² Though incomplete, the correspondence reveals the project leaders' initial overweening confidence in an improvised

to Improve the Human Condition Have Failed (New Haven: Yale University Press, 1998), 4; Tina Loo, "Disturbing the Peace: Environmental Change and the Scales of Justice on a Northern River," *Environmental History* 12, no. 4 (2007): 899–900. See also Loo, with Meg Stanley, "An Environmental History of Progress: Damming the Peace and Columbia Rivers," *Canadian Historical Review* 92, no. 3 (September 2011): 399–427; and Loo, "High Modernism, Conflict, and the Nature of Change in Canada: A Look at Seeing Like a State," *Canadian Historical Review* 97, no. 1 (March 2016): 34–58.

⁸ W.A.C. Bennett interview, tape N36, track 2, transcript, p. 9, T1675, British Columbia Archives (hereafter BCA); Ray Williston interview, tape 10, track 1, transcript, p. 7, T1375, BCA; Einar Gunderson interview, tape 3, track 1, transcript, pp. 9–10, T2639, BCA.

⁹ John R. Wedley, "The Wenner-Gren and Peace River Power Development Programs," in *Sa T's'e: Historical Perspectives on Northern British Columbia*, ed. Thomas Thorner (Prince George: College of New Caledonia Press, 1989), 515–46 (a chapter from his dissertation); and Lawrence D. Taylor, "The Bennett Government's Pacific Northern Railway Project and the Development of British Columbia's Hinterland," *BC Studies* 175 (Autumn 2012): 35–56.

¹⁰ Stuart Keate, "Axel in Wonderland," *Saturday Night*, 13 April 1957, 14.

¹¹ Strid's defence lawyer submitted the correspondence for the trial in 1974–75. An extended commentary on some of the financier's business activities and a three-part TV documentary, which remain the best accounts in Swedish of his activities after Electrolux emerged from evidence presented at the "Wenner-Gren scandal" trial. See Ragnar Boman and Ingrid Dahlberg, *Dansen kring guldkalven* (Stockholm: Askild and Kärnekull, 1975); and Ingrid Dahlberg, *Vem var Axel Wenner-Gren?* (Stockholm: SVT, 1975).

¹² Fridenson, "Business Failure," 568; Mark Hager, Joseph Galaskiewicz, Wolfgang Bielefeld, and Joel Pins, "'Tales from the Grave': Organizations' Accounts of Their Own Demise," in *When Things Go Wrong: Organizational Failures and Breakdowns*, ed. Helmut K. Anheier (Thousand Oaks, CA: Sage, 1999), 51–70.

monorail venture that simply collapsed from lack of preparation as well as capital. The managers then pivoted to exploit an apparently more lucrative opportunity to develop hydro power. But the hydro company's inability to attract adequate investment led both Wenner-Gren and Strid into a growing concern, indeed obsession, with acquiring funds to cover increasingly frequent calls on a mounting debt from previous expenditures in other Wenner-Gren companies. The financier's illogical departure from the actions of a "hit-and-run" promoter, an investor who withdraws from or flees a project early to maximize profit, transformed his largest investment in British Columbia in the hydro company from profit to loss.¹³ In 1957, Wenner-Gren had confidently declared that he expected "to get a lot" from his investment in the "biggest venture" of his career.¹⁴ Six months before his death in 1961, he confided that the hydro company and his other ventures in British Columbia had become a "never-ending treadmill, which really begins to exhaust me."¹⁵ Rather than the activities of a high modernist who faltered, this article explores a series of contradictory actions concerning the promotion of development, "low modernism," which had little ideology behind it beyond keeping the financial wolf from the door. It ultimately did not stave off a dramatic failure in British Columbia within a larger business enterprise that was on the verge of collapse.

MOTIVE

Although the historiography of Wenner-Gren is thin,¹⁶ it provides adequate accounts of two elements of his career that played a role in his decision to enter British Columbia, and a third that determined the project's early favourable reception – Electrolux, blacklisting, and monorail development. Electrolux, which Wenner-Gren founded in 1919, expanded quickly in Europe and North America by manufacturing and distributing a series of home appliances of which the most famous was the vacuum cleaner. Dividends from Electrolux supported Wenner-Gren's extravagant lifestyle, which included mansions and a yacht, during the

¹³ Editorial, *Vancouver Sun*, 4 March 1960.

¹⁴ John Kirkwood, "BC Gets Close Look at Fabulous Financier," *Vancouver Sun*, 12 March 1957.

¹⁵ Wenner-Gren to Strid, 19 April 1961, Riksarkivet, 40005 Advokatfirman C.W. Du Rietz' arkiv, DEL 2, Axel Wenner-Gren, E, Korrespondens, (hereafter Du Rietz).

¹⁶ Wenner-Gren has so far not been the subject of an academic biography. The most recent business history of Sweden briefly describes him as a myth-enshrouded businessman whose creation of Electrolux combined new technology and marketing. It does not deal with his ventures after he sold his holdings in the company in 1956. See Mats Larsson, ed., *Det svenska näringslivets historia, 1864–2014* (Stockholm: Dialogos Frlag, 2014), 251, 253.



Figure 1. General Manager Birger Strid (*right*) locates Rocky Mountain Trench on map of western Canada for financier Axel Wenner-Gren, probably during their trip to British Columbia, March 1957. *Source:* <https://alchetron.com/Axel-Wenner-Gren-Birger-Strid>, viewed 2 February 2019.

1930s and provided the financial base for his later business ventures.¹⁷ In 1942 Wenner-Gren, then a resident of the Bahamas, where financial regulations and taxes as well as climate were less onerous than in Sweden, was placed on the “proclaimed list of blocked nationals,” or blacklisted by both the United States and Britain.¹⁸ Although the measure lapsed in 1946, it continued to rankle him.

In perhaps his most conspicuous postwar venture, Wenner-Gren established in 1953 the Alweg-Research Corporation (Alweg) in Germany to develop and manufacture a complete monorail system. Though its later demonstration lines at Disneyland and the Seattle World’s Fair suggested that Alweg would soon become a financial success as well as a symbol of high modernism, by the fall of 1956, when Wenner-Gren

¹⁷ Fagerfjäll, *Shape Living for the Better*, 29–115.

¹⁸ The reason was never made public, which encouraged a series of conspiracy theories. After examining the complete FBI file concerning Wenner-Gren, a US scholar concludes that the United States blacklisted Wenner-Gren to limit his increasing financial influence in Mexico and created the “Nazi smear” about his connections with the Third Reich as a cover. See Ilya Luciak, “Vision and Reality: Axel Wenner-Gren, Paul Fejos, and the Origins of the Wenner-Gren Foundation for Anthropological Research,” *Current Anthropology* 57, no. 14 (2016): S317–S322.

embarked upon the BC project, it had created and operated only a small-scale model train.¹⁹

During the 1950s, images of Wenner-Gren hosting extravagant galas, hobnobbing with political leaders and Nobel prize winners, and leading the construction of Stockholm's first high-rise tower as headquarters for his philanthropic organizations suggested that his wealth had increased since the 1930s.²⁰ The American Internal Revenue Service estimated his fortune in 1957 as US\$1 billion, a sum that the *New York Times* repeated in his obituary after Wenner-Gren died in November 1961.²¹ Earlier that year, however, a Swedish tabloid published a list of Wenner-Gren's poorly performing postwar investments, including those in British Columbia, to support its sensational claim that his actual wealth was less than one-hundredth the size of his reputed fortune. In 1963, accountants valued Wenner-Gren's estate at approximately US\$11 million, a sum that suggested Wenner-Gren's global wealth never approached the level celebrated in some newspapers.²² It also indicated that, during the last five years of his life, Wenner-Gren's major investments – property, computers, the monorail, and British Columbia – produced a series of constant losses. In his final year, Wenner-Gren's boast to Strid about how he had evaded a petty debt for a Christmas present for his wife suggests that he was aware of his parlous finances.²³

Wenner-Gren's BC project responded to his desire for a dramatic investment that would shed the stigma of blacklisting and demonstrate that he remained a *finansfurst*, a prince of finance or tycoon, a term applied by Swedish journalists and historians to notable capitalists.²⁴ The project's most important early proponent, British businessman Bernard Gore, who later became an associate in it, wrote to a partner in Stockholm: "Wenner-Gren's name will be trumpeted over the entire world and he will become owner of one-seventh part of BC, a sort of

¹⁹ Alweg is an acronym of *A*xel *L*ennart *W*enner-*G*ren. Boman and Dahlberg, *Dansen*, 72–74. Reinhard Krischer, *Alweg-Bahn: Technik, Geschichte und Zukunft der legendären Einschienenbahn* (Stuttgart: Transpress Verlag, 2003), 91–95, 105–15.

²⁰ Frida Rosenberg, *The Construction of Construction: The Wenner-Gren Center and the Possibility of Steel Building in Postwar Sweden*. (Stockholm: KTH Royal Institute of Technology, 2018). With the announcement of the BC project, a Swedish tabloid described Wenner-Gren as Scandinavia's richest man. See *Aftonbladet* (Stockholm), 13 February 1957.

²¹ Luciak, "Vision and Reality," S318; *New York Times*, 25 November 1961.

²² *Expressen* (Stockholm) 4 June 1961; *Dagens Nyheter* (Stockholm), 19 July 1963.

²³ Wenner-Gren to Strid, 16 February 1961, Du Rietz.

²⁴ Wenner-Gren had earlier proposed ventures in Southern Rhodesia and Cuba, which were abandoned before Alweg began to create the technology for a full-scale monorail that might have been applied to these projects. For incomplete accounts of Wenner-Gren's role in these ventures, see *Vancouver Sun*, 19 February 1957; and *Dagens Nyheter*, 25 June 1956.

uncrowned king.” Wenner-Gren manager Birger Strid seconded Gore with more hyperbole:²⁵ “Mills and computers are fine, but this is something real, a monopoly on the earth’s largest undeveloped wilderness beside the world’s wealthiest population [in the United States].” A Swedish businessman who participated in the pitch claims that Wenner-Gren was “already prepared, ... he seemed enthusiastic as a schoolboy: a large part of BC entrusted into his hands!”²⁶ After his representative opened negotiations with Bennett in October 1956, Wenner-Gren raised capital by selling his remaining Electrolux shares to one of the concerns of the rival Wallenberg group for US\$5.2 million.²⁷

DEAL: WENNER-GREN LAND AND THE MONORAIL

Historians have long established the early chronology of the Wenner-Gren project from the records of British landscape planner Percy Gray concerning the “Central British Columbia Development Project,” his original scheme for railway development in northeast British Columbia.²⁸ In the spring of 1956, Bernard Gore encouraged Gray, a London neighbour with whom he had dealings on other matters, to begin a speculative exercise that would connect a vague report of W.A.C. Bennett referring to the Pacific Great Eastern Railway (PGE), future northern development, and a possible “concession,” as Gray later designated it. He began his research at British Columbia House in London where

²⁵ Born in 1907, Strid joined the Wenner-Gren powdered milk company in 1942 and became its general manager in 1950. In 1957, he became general manager of the Wenner-Gren holding company in Sweden, Fulcrum AB. His income from this company and directorships in other Wenner-Gren concerns made him a wealthy man. Perhaps his earlier training in divinity led him to exclaim, “If a man can sell God, he can sell anything.” See *Vem är vem, Svealandsdelen*, ed. P. Harnesk (Stockholm: Bokförlaget Vem är vem AB), 765; Boman and Dahlberg, *Dansen*, 154.

²⁶ Lennart Bruce, *En sannsaga* (Stockholm: Tidens förlag, 1982), 179–80.

²⁷ Martin Fritz, *Ett världsfretag växer fram: Alfa-Laval 100 år*, vol. 2, *Konsolidering och expansion* (Stockholm: Alfa Laval, 1983), 309–13.

²⁸ Percy Gray Records (hereafter Morfee), Morfee Heritage Group Society, MS-2117, BCA. See also Percy Gray: “Origins of the Central British Columbia Development Project,” August 1980, AAAB4206, BCA. This recorded commentary on the documents, which he claimed were exhibits in a successful suit in Britain against Gore, provides additional information. Lands and Forests Minister Ray Williston, who encouraged Gray’s research during his time in British Columbia, became interested in the documents and played a role in persuading Gray to exhibit them in Mackenzie, British Columbia, in 1980. For a brief view of Gray’s work that ignores many of the Gray documents, see Eileen Williston and Betty Keller, *Forests, Power and Policy: The Legacy of Ray Williston* (Prince George: Caitlin Press, 1997), 174–75. Bob Steventon, “The Origins and Background of the Wenner-Gren British Columbia Development Project” (undergraduate essay, College of New Caledonia, 1981); Wedley, “Wenner-Gren and Peace River”; Kempf, “Co-opting an Empire”; Stanley, *Voices from Two Rivers*; and Sims, “Dam Bennett” draw on these documents.

Agent General W.A. McAdam showed him an article by the BC railways minister that included an arresting map of a proposed railway extension from McLeod Lake, 140 kilometres (87 miles) north of Prince George, to Lower Post, near the Yukon border, and a vague suggestion that the only logical route for a railway to Alaska was via the Rocky Mountain Trench.²⁹ Gray found additional support for such a route in a 1942 article by Royal Canadian Engineer G.S. Andrews on the trench as a route for the proposed Alaska Highway,³⁰ in which the planner underlined the key passage: “The route would follow the unsettled northern part of the trench in a remarkable straight line ... Outstanding advantages of the route are light snowfall and easy construction ... The broad U-shaped trench carrying the road for 500 miles in a straight line is a gift for the road builder.”³¹

Gray’s “rediscovery” of this route through the Peace River watershed, some 130,000 square kilometres (50,000 square miles), for which, he claimed, “the government is willing to negotiate with us ... as sole concessionary on a freehold basis,” led Gore to approach Wenner-Gren, who appeared to have the resources to undertake such an ambitious project. Gray’s scheme certainly responded to Bennett’s desire to extend the PGE beyond Prince George as a “development tool.”³² What really prompted the interest of the agent general, however, was Gray’s estimate of Wenner-Gren’s fortune as US\$800 million. This exaggerated figure, probably provided by Gore, persuaded McAdam to recommend that the premier begin negotiations with Wenner-Gren without further investigating his background and performance.³³ After Wenner-Gren officially declared his interest in the project on 3 September, Gray created a second draft of his scheme that included an inappropriate reference to

²⁹ Ralph Chetwynd, “Extending the Pacific Great Eastern Railway,” *Railway Gazette* 102, no. 25 (1955): 713–18.

³⁰ Andrews, who was a survey chief for the BC Forest Service before the war, concluded that the Fort Nelson route, which had just been selected for the highway, was 15 percent longer than the trench route and that extensive muskegs posed grave construction difficulties. See Gerald S. Andrews, “Alaska Highway Survey in British Columbia,” *Geographical Journal* 100, no. 1 (1942): 19.

³¹ Andrews, “Highway Survey,” 7, 9.

³² John R. Wedley, “A Development Tool: W.A.C. Bennett and the PGE Railway,” *BC Studies* 117 (Spring 1998): 29–50. For government boosting of resources in the Northeast, see British Columbia, Department of Railways, *Pacific Great Eastern Railway, also Proposed Extensions and Potential Resources of Central Interior and Northern British Columbia* (Victoria: King’s Printer, 1949). On Bennett’s reiteration of the long-standing provincial government goal to extend the PGE to Yukon, see *Vancouver Sun*, 8 December 1956.

³³ Gray, notes on conversations with Gore, 26[?] August 1956, Morfee, EX 14; McAdam to Gore-Bruce, cable, 27 August, Morfee, EX 15; Wenner-Gren to Gore, Bruce Ltd., 3 September 1956, Morfee, EX 16.

the experience of northern Sweden as a model for hydro development.³⁴ In this revision the “Yukon and Alaska Railway,” which now extended to the Yukon border, remained a conventional railway. For Gray’s work to this point, Gore promised him the post of chief planning consultant of the future Wenner-Gren British Columbia company and 5 percent of the net commission that Gore’s private company would earn on the project.³⁵

In October, Gray came to British Columbia to begin negotiations with the premier, his ministers, and officials. After he discovered that any kind of reserve on minerals, timber, and water powers, exclusive or not, on the Peace River below (east of) Hudson’s Hope was impractical because of existing oil and gas leases, he cast about for an alternative “comprehensive foundation area with a good cross section of natural resources.” Abandoning his original scheme for a concession that embraced the entire BC watershed of the Peace River, Gray settled on a 225-kilometre-wide (140-mile-wide) strip west of the Rockies, which Andrews, now BC surveyor general, reiterated as a “natural” for rail, mineral, and forest development.³⁶ While the Wenner-Gren reserve along the Peace would now be limited to a stub above (west of) Hudson’s Hope, the development area was extended north along the watershed of the Kechika River, a tributary of the Liard River, to the Yukon border (see Figure 2).³⁷

Perhaps believing his own estimate of Wenner-Gren’s wealth, Gray tentatively agreed to purchase for \$62 million the northern extension of the PGE then under construction from Prince George to Fort St. John and Dawson Creek.³⁸ And, in a gambit probably initiated by Gore, Gray

³⁴ Gray, “General BC Development Project,” 2nd draft, 15 September 1956, Morfee, EX 18. Wenner-Gren’s experience in resource development in northern Sweden was neither large nor impressive. His direction of the forestry holding company SCA in the late 1930s produced lacklustre returns and he lost control of it in 1941. The reference to the northern Sweden model was not appropriate for the Peace River project because the development of hydro power there followed the location of a valuable iron ore deposit and the construction of a railway to extract it. In addition, the state constructed the railway line and the largest power station at Porjus. See Gustaf Utterström, *SCA 50 år: studier kring ett stort företag och dess föregångare* (Sundsvall, SE: SCA, 1979), 58–86; Stefan Hansson “Porjus: Ett kraftverk för industriell utveckling i övre Norrland,” in *Daedalus* (Stockholm) 63 (1995): 147–69.

³⁵ Gore to Gray, 21 September 1956, Morfee, EX 26.

³⁶ Gray, report of meetings 16–27 October, 29 October 1956, Morfee, EX 29.

³⁷ The Kechika River was misspelled as “Kitcheka” in the 1956 agreement and many newspaper stories. See Sims, “Dam Bennett,” 101.

³⁸ Report of meetings 16–27 October, 29 October 1956, Morfee, EX 29; British Columbia, *Documentary Submission to the Royal Commission on Canada’s Economic Prospects* (Victoria: Queen’s Printer, 1956), 63–64. Gray did not make clear that his offer was for only the northern extension. During the negotiations, Gray’s most important government collaborator was former finance minister and then PGE vice-president Einar Gunderson, who was later appointed a director of the Wenner-Gren holding company.

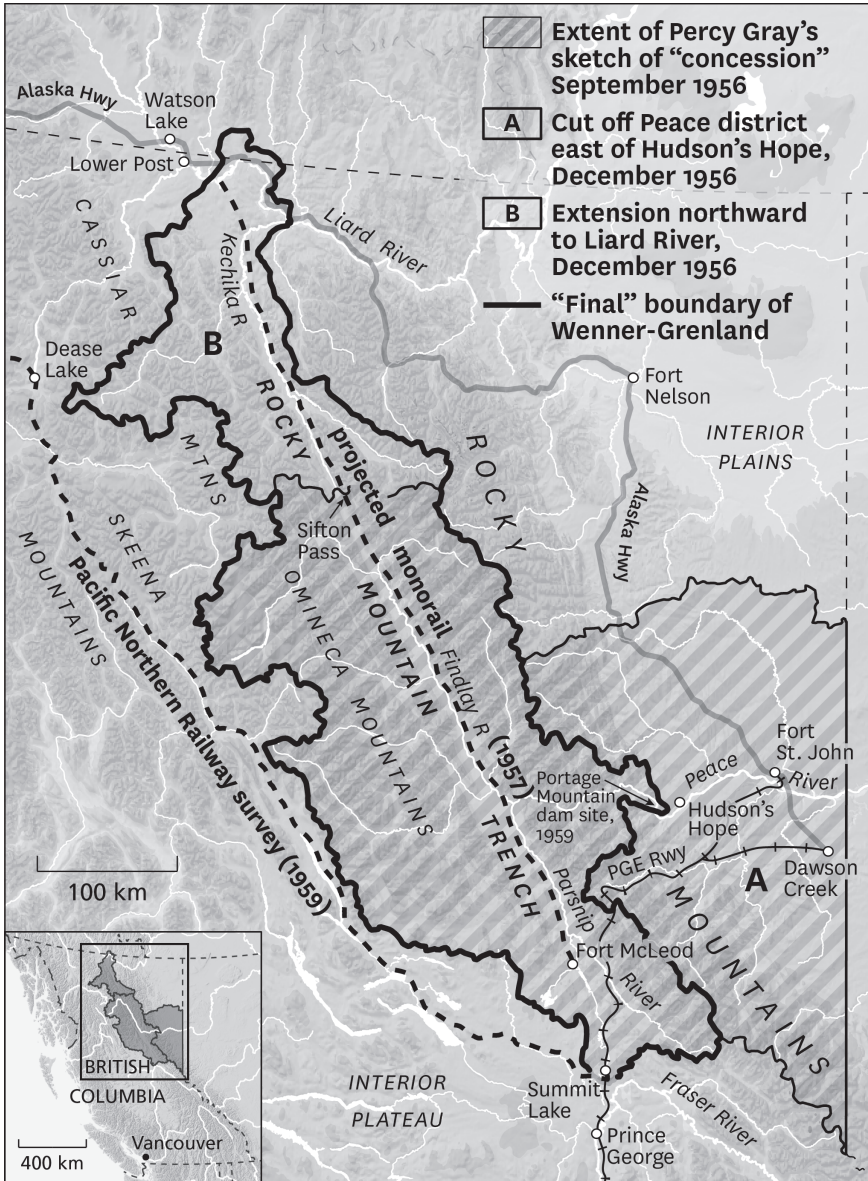


Figure 2. Evolution of Wenner-Grenland, 1956–61. Sources: Adapted from BCA, MS-2117, Morfee Heritage Group Society, Percy Gray, drawing accompanying confidential memorandum, "General BC Development Project," second draft, 15 September 1956; MS-2765, John Fortune Walker Fonds, map, 19 December 1956. Cartography by Eric Leinberger.

made a last-minute proposal that Wenner-Gren would build a monorail, not a conventional railway, through the development area, even though Alweg had not yet constructed a single full-scale train. The enthusiastic response surprised Gray enough to cable Gore that the government considered the monorail the “perfect solution” in this territory for “some years but [had] no hope until now of getting it.”³⁹

Encouraged by Gray’s reports, Strid and Gore, as principals representing Wenner-Gren, came to Vancouver in mid-November to complete the negotiations. By settling into luxury suites in the Hotel Vancouver, they gave an impression of wealth. Nevertheless, they immediately retracted Gray’s dangerous undertaking to purchase the PGE extension. Strid explained to Wenner-Gren: “we were lucky to dismiss the idea that we would buy the existing [PGE] railway – we simply do not have the capital.” They also rejected Gray’s suggestions to shift boundaries and remove “minerals” as an automatic part of the reserve.⁴⁰

The preliminary agreement, executed on 16 November 1956, was designated only as a “memorandum of intention” so had no legal standing. Attorney General Robert Bonner later recalled that it only meant that “in some sense we might agree.”⁴¹ Although the memorandum was supposedly secret, when the Canadian embassy in Stockholm, which had received many inquiries, asked for information, a deputy minister simply enclosed a copy of the document with the facile comment that it was “self-explanatory.”⁴² The document was vague about the nature and extent of “reserve” allotted to Wenner-Gren and the rights to its resources. The most precise expression of extent was the territory in which forestry rights would be granted – the tributaries of the Peace. It implied, but did not specify, that rights to water resources would be granted for the same area.

In return, Wenner-Gren undertook to spend \$5 million on surveys and development, but he would only deposit \$500,000, which could be refunded if the surveys did not locate profitable resources. He would also furnish school and hospital accommodation “in conjunction with settlement of the development area.”⁴³ By designating the Alweg (BC) Railway Company to prosecute the railway work, Strid and Gore implied

³⁹ Gray to Gore (cable), 28 October 1956, Morfee, EX 34.

⁴⁰ Strid to Wenner-Gren, 16 November 1956, Du Rietz; Gray to H.F.E. Smith, 27 December 1956, Morfee, EX 64.

⁴¹ Robert Bonner interview, 1980, T0244:0011, AAAB0285, BCA.

⁴² E.W. Bassett to Department of External Affairs, 2 February 1959, BC, Department of Lands and Forests, f. 0215169.

⁴³ BC and Strid and Gore, Memorandum of Intention (signed), 16 November 1956, with proposed amendments, Morfee, EX 36. The absence of any reference to *indianer*, Indians, let alone

that the line would be a monorail. While admitting his own ignorance about the monorail, Strid transformed this risky project of constructing a development line, which would necessarily operate with losses for several years while it slowly built traffic, into a speedy trunk line that would immediately secure profitable Alaskan traffic. In a breathless report to Wenner-Gren on the day the agreement was signed, Strid offered his only private expression of high modernist fancy:

We believe that our experts could create here a structure for high speed and large capacity. I am fascinated by the prospect of transporting munitions to Alaska in hours. Because of its strategic value, we can count on transporting US goods, and no US firm can build the missing link.

More important, however, was the prospect of immediate gain: “We have all this for practically nothing, ... all rights in an area between 50 and 60 thousand square miles, which is much richer than we believed.”⁴⁴ After Strid praised Gore’s “brilliant job” in the negotiations, Wenner-Gren gave Gore 20 percent of the shares in the BC venture and a contract guaranteeing him \$70,000 per year for ten years.⁴⁵

But since the memorandum was a preliminary agreement, either party could make changes without penalty. Within a month the government demanded the shift in boundaries and the removal of the mineral reserve, which Gray now warned was “political dynamite.”⁴⁶ While Gore conceded the boundary shift, he persuaded the government to transfer a weakened undertaking concerning the mineral reserve to an order-in-council, which gave it legal standing. As Gray fretted, Gore blamed him for encouraging the changes and, after withdrawing his previous undertakings to the planner, shunted him aside.⁴⁷

When the revised agreement, under the date of the original memorandum, was tabled in the legislature twice in the same week of February 1957, it provoked an expression of high-modernist enthusiasm in the government and in the region it promised to develop – northern British

particular First Nations, in all the Swedish documents that I have examined supports the implication that this settlement did not include the Indigenous communities of the region.

⁴⁴ Strid to Wenner-Gren, 16 November 1956, Du Rietz.

⁴⁵ Boman and Dahlberg, *Dansen*, 78.

⁴⁶ Gray to Gore, 20 December 1956, Morfee, EX 61. Gunderson gave a similar warning to Gray during the negotiations.

⁴⁷ BC, Order-in-Council, #1956-3199, approved 27 December 1956. Gray to H.F.E. Smith, 27 December 1956, Morfee, EX 64; Gore to Gray, 7 February 1957, Morfee, EX 76.

Columbia.⁴⁸ The following day newspapers in both Stockholm and British Columbia published a map of the development area, which a local wit quickly dubbed “Wenner-Grenland.”⁴⁹ Journalists rushed to explore and boost the hitherto neglected resources of the vast, if vague, hinterland (see Figure 2). The opposition Co-operative Commonwealth Federation (CCF) mocked “Axel the First of Wenner-Grenland” for the primacy that he would apparently secure in his new principality.⁵⁰

Lands and Forests Minister Ray Williston, who had confided to Gray, “I am very hazy on this equipment and I know my colleagues are equally vague,” confidently predicted to the legislature that a long-distance monorail could be built and that, even with relatively steep grades, freight trains could reach speeds of 290 to 320 kilometres (180 to 200 miles) per hour. Ignoring the effect of cold winters on massive track structures of prohibitive cost, he suggested that maintenance would be “negligible.”⁵¹ To commemorate the “billion-dollar deal,” the *Prince George Citizen* published a special edition with a cartoon of an Alweg monorail train hurtling toward the city (see Figure 3). Enthusiasm for Wenner-Gren’s projects continued in Prince George. After he secured a second memorandum from the government concerning hydro development, the city mounted a float depicting both monorail and dam in Vancouver’s 1958 Grey Cup parade.⁵²

Celebration was not confined to Prince George. When Wenner-Gren made a triumphal journey to meet the premier in March 1957, his progress – press conferences, inspections, meetings with dignitaries, and even a speech to the Vancouver Kiwanis Club, to which onlookers flocked to see – resembled that of a prince. At the Vancouver airport a crowd of people waited for and waved to him. He stayed in the Royal Suite at the Hotel Vancouver. The yacht of former lieutenant-governor Clarence Wallace took him to the capital, where waiting limousines drove his party to the Empress Hotel. At the end of his short stay in British

⁴⁸ The first tabled version of the revised agreement carried the date of 11 November 1956 and was quickly replaced by another version of the revised agreement that carried the “correct” alleged date – 16 November 1956. See BC Legislative Assembly, Clerk’s Papers, nos. 36 and 38, tabled 12 February and 15 February 1957.

⁴⁹ After a hurried exploration of part of the area to be developed, columnist Jack Scott described himself as “Alice in Wenner-Grenland.” See *Vancouver Sun*, 20 February 1957.

⁵⁰ Randolph Harding, quoted in Sherman, *Bennett*, 226.

⁵¹ Williston to Gray, 29 November 1956, Morfee, EX44; Williston – Statement to Legislature, 12 February 1957, transcript, Leo Thomas Nimsick records (hereafter Nimsick), MS-0854, box 12, file 31, BCA.

⁵² *Prince George Citizen*, 2 December 1958.

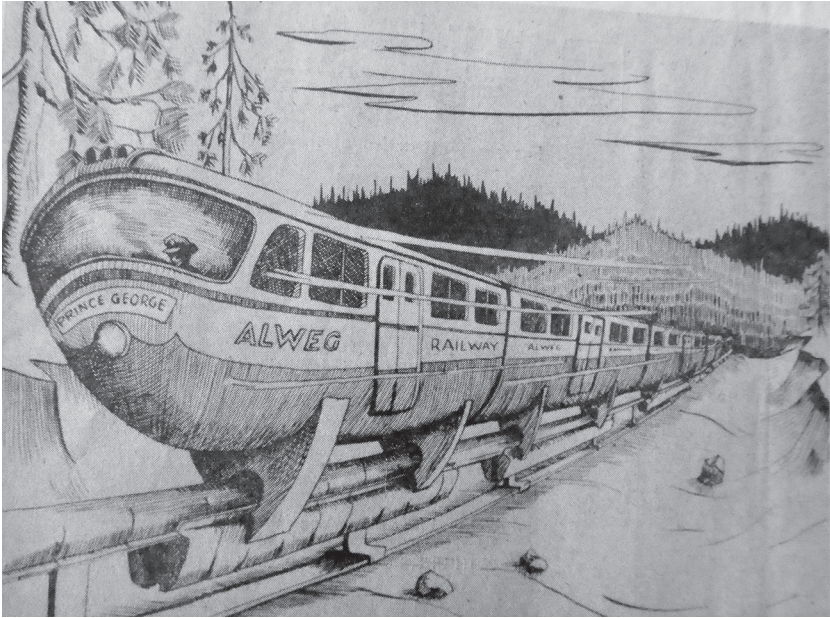


Figure 3. Cartoon of Alweg monorail heading to Prince George. *Source: Prince George Citizen*, 14 February 1957.

Columbia, he confided that he grew weary of meeting a never-ending stream of local politicians and businessmen.⁵³

In a Vancouver press conference shortly after his arrival, however, Wenner-Gren, whom radio broadcaster Jack Webster described as the “healthiest looking 75-year old you ever saw in your life,” displayed financial and technological vulnerability. Both he and Gore admitted that the 1956 agreement required the construction of a railway to gain access to the resources but observed that it did not specify a monorail. Suggesting the need for “common sense,” Wenner-Gren contended, “if we find it would be senseless to build a railway, I don’t think that the government would insist upon it.” The canny Webster concluded, “Mr. Wenner-Gren made himself an awfully bad deal.”⁵⁴

Wenner-Gren also revealed that Alweg had so far only developed and operated a 1:2.5 scale model monorail train in a small test loop outside Cologne. When the Alweg engineer who accompanied the party was about to respond to some technical questions from reporters, Gore cut

⁵³ Wenner-Gren, Fr, Dagb cker, vol. 12, 10–13 March 1957, Du Reitz; *Daily Colonist* (Victoria), 12 March 1957.

⁵⁴ Nimsick, Jack Webster, “City Mike,” radio program, 11–13 March 1957, transcript.

him off. After the conference, the engineer provided a rough estimate of the cost of the monorail line that he admitted was based only on the cost of the small full-scale test track still under construction in Germany, \$312,000 per kilometre (\$500,000 per mile) “up to any price.”⁵⁵ The estimated total of \$200 million, more than three times the projected cost of the PGE northern extension under construction, deterred even the boosters and effectively halted the project. While Bennett continued to champion the monorail, “if the Wenner-Gren project comes to fruition,” the decision not to incorporate the Alweg BC concern makes clear that Wenner-Gren had abandoned the monorail to concentrate on what appeared to be the more lucrative prospect – hydroelectric development.⁵⁶ But the monorail plan, which evaporated less than four months after its proposal, remained the defining symbol of the entire BC project.

ORGANIZATION

For twenty-five years Wenner-Gren had been adept at spreading risk, obscuring responsibility, and hiding capital in a maze of interlocking companies distributed across several continents.⁵⁷ British Columbia was no different. On 21 November, Strid and Gore arranged to incorporate in Vancouver a many-sided holding company, the Wenner-Gren (British Columbia) Development Company Ltd. (WGBC), with power to “carry on, whether alone ... or through the medium of other incorporated companies, any business ... in connection with the acquisition and development of natural resources.” With a small board of directors initially headed by Strid and later by Gore, it had a modest capitalization of \$100,000 in one thousand shares of which Wenner-Gren held 80 percent, and Gore’s company, Gore, Bruce Ltd. (hereafter Gore-Bruce), 20 percent.⁵⁸ This concern, in turn, would become a subsidiary of a Panamanian company, Wenner-Gren (BC) Corp, whose common shares were also held between Wenner-Gren, this time through his holding company Panamerican Corp, SA, and Gore-Bruce, 80:20. Based in Nassau, Wenner-Gren (BC) Corp would transfer funds to and from WGBC in Vancouver and three small related subsidiaries established

⁵⁵ *Vancouver Sun*, 11 March 1957. Engineer Arne Johansson also declared that Alweg had not surveyed the proposed monorail route.

⁵⁶ *Daily Colonist* (Victoria), 7 July 1958.

⁵⁷ Leif Leifland, *Svartlistningen av Axel Wenner-Gren: En bok om ett justitiemord* (Stockholm: Askelin och Hägglund, 1989), 266–88.

⁵⁸ Corporate Registry, f. 37774, Wenner-Gren (British Columbia) Development Company Ltd., GR 1583, BCA.

in London, New York, and Stockholm, respectively.⁵⁹ Panamerican also ultimately controlled four later WGBC subsidiary companies in British Columbia: Peace River Power Development, Pacific Northern Railway, St. Andrew Mining, and Alexandra Forest Industries.⁶⁰

How did money move between these companies? Although the financial records of the Vancouver and Nassau companies have not survived, Strid's brief review of moving funds to British Columbia for hydro survey expenses suggests the complexity and vulnerability of Wenner-Gren's investment practices:

Especially in 1957 and 1958 we sent significantly large sums to BC under the pretext that [it] would be used in the project, but it was then withdrawn and went further on, as the Doctor [Wenner-Gren] knows [to service debts for Wenner-Gren concerns elsewhere]. That we ... could prove that we had spent at least \$5M was necessary in part, as the Doctor also knows, because we had bound ourselves with the contract to spend that sum.⁶¹

Most WGBC subsidiaries shared another crucial characteristic – the expectation that each would soon take a minority share position with limited control in the concern before eventually withdrawing with a profit. Concerning the prospect of monorail development at the outset, Strid confided to Wenner-Gren, “If we play our cards right, we can build the entire railway [monorail] with contributions and loans just to have the entire route completed quickly.”⁶² When the Pacific Northern Railway Company was belatedly incorporated in 1960 to fulfill the first agreement, which Bennett now made a condition for obtaining a hydro licence, Strid admitted that Wenner-Gren would hold only 17.6 percent of the shares, but he maintained: “our costs are covered and with such fine partners, we have a chance to survive the first period of large losses.”⁶³

In 1956 Strid also made agreements for mineral surveys of the area with Hans Lundgren, a mercurial Swedish Canadian geophysicist who had made a name for himself with aerial mining surveys.⁶⁴ When Lundberg waxed enthusiastic about a claim well beyond the putative boundaries

⁵⁹ Strid and Gore, memorandum, Nassau, 24 November 1956, Centrum f r Näringslivshistoria, Fulcrum AB Arkivet, A1: 1, Wenner-Gren BC Development AB.

⁶⁰ Max Endre, *Utredning om koncernkapitalet i Wenner-Gren-koncernens utlandsbolag och d dsboets totala egna kapital* (Stockholm: Bohlins Revisionsbyrå, 1974).

⁶¹ Strid to Wenner-Gren, 1 September 1961, Du Rietz.

⁶² Strid to Wenner-Gren, 16 November 1956, Du Rietz.

⁶³ Strid to Wenner-Gren, 2 May, 13 April 1960, Du Rietz.

⁶⁴ Peter C. Newman, *Flame of Power: Intimate Profiles of Canada's Greatest Businessmen* (Toronto: Longmans, Green, 1959), 183–98.

of Wenner-Grenland, describing it as a “new Klondike” with 12 percent copper and 1 percent gold, Strid expected to develop a mine there only because four prominent companies would join as partners.⁶⁵ Eighteen months after its incorporation, WGBC held only 27 percent of the shares in St. Andrew Mining.⁶⁶

Despite many expressions of interest, Wenner-Gren had initially given forestry projects a low priority. In 1961, “handicapped by a complete lack of money” to secure licences for timber harvesting and a pulp mill, Gore advocated forming a new company “for financing the whole [forestry] project more or less on the basis of the Peace River company.”⁶⁷ Incorporated by Wenner-Gren interests a month before the financier’s death as the Alexandra Forest Industries Company, its original shareholders soon gave up control, holding only 24 percent of the shares in a successor concern that applied for a tree farm licence over the Upper Fraser-Peace River drainage system in 1964.⁶⁸

HYDRO: CONTROL AND SHARE RETURN

At the outset it appeared that the Wenner-Gren hydro company would adhere to the pattern of minority share position and limited control. The 1956 agreement called for WGBC to survey the area’s resources for hydroelectric development. Williston informed Gray that government engineers had recently reported that it was practical to develop immense power by damming the Peace River. The international engineering firm British Thomson-Houston (BTH) had already approached Gore about a licence to build a hydroelectric dam. Strid mused that if the hydro survey were positive, BTH would build and finance the project while “we would secure some of the share capital for our licence.” Because WGBC required both expertise in dam construction and capital, it would “allow” the rival Swedish engineering firm Asea to join the project.⁶⁹

In the spring of 1957 BTH began the survey, but Wenner-Gren did not wait for its findings to make a calculated exaggeration that his

⁶⁵ Strid to Wenner-Gren, 13 April 1960, Du Rietz.

⁶⁶ Corporate Registry, file 47623, St. Andrew Mining, GR-1583, BCA.

⁶⁷ Gore to Wenner-Gren, 7 March 1961, Du Rietz.

⁶⁸ Application for Tree Farm Licence, 27 May 1964, BC, Department of Lands and Forests. The first application was not successful. The BC Corporate Registry file for AFI ignores its incorporation and early evolution. See *BC Gazette*, 26 October 1961, 1861–62.

⁶⁹ Williston to Gray, 29 November 1956, Morfee, EX 45; Strid to Wenner-Gren, 16 November 1956, Du Rietz. The reports of the government’s hydrological investigations of the Peace in 1955 and 1956 apparently led BTH to waste time on a potential site at the Wicked River tributary before turning to the Portage Mountain site.

expenditures might lead to a “billion-dollar deal.”⁷⁰ With a carefully placed preliminary report from BTH manager and engineer R.L. Chantrill, which claimed that dam sites along the Peace River could generate 3 million kilowatts (4 million horsepower), Wenner-Gren managers secured in October 1957 a second, more explicit provincial agreement.⁷¹ It reserved potential hydropower from these sites for three years while the company prepared a detailed plan for dam construction and the sale and transmission of electricity.⁷² Bennett celebrated the deal for the “greatest hydroelectric project in the world.”⁷³ More important, the prospect of private development of Peace River hydro allowed Bennett to advocate the Two Rivers policy, the simultaneous development of Peace River and Columbia River power, to obtain a more favourable deal in the Columbia River Treaty.⁷⁴

Six months later, the Peace project had made little headway. With a flurry of loan calls for expenditures on other projects, Wenner-Gren complained: “we have a lot of promises about new financing, but something always turns up to drag the matter out.”⁷⁵ Pleas from Strid and Gore appeared to move Wenner-Gren to regard this project as his special creation rather than as merely another investment from which he could withdraw when financially convenient or necessary. When Strid maintained that it would be unthinkable to give up the Peace project, Wenner-Gren optimistically agreed: “Even if we must sell other assets far below their value, we will do this rather than reduce our activities in BC ... Something will materialize in the near future enabling us to supply [our] money need in BC.” The highest priority now was creating the hydro company, for which “all sacrifices would be worthwhile.”⁷⁶ After the presentation in July 1958 of more detailed BTH surveys to the government, which concluded that damming the Peace was practicable at a site that was being determined, Wenner-Gren’s enthusiasm rose again.⁷⁷ Later that month he made a quick, largely unpublicized trip to

⁷⁰ *Province*, 12 February 1957.

⁷¹ On the fitful progress of the BTH surveys funded by Wenner-Gren, see Stanley, *Voices from Two Rivers*, 30–7.

⁷² BC and Strid and Gore, Memorandum of Agreement, 7 October 1957; and Chantrill, Report on Hydro-Electric Development, 8 October 1957, BC Legislative Assembly, Clerk’s Papers, nos. 13a and 13b, 23 January 1958.

⁷³ Bennett, quotation in *Vancouver Sun*, 9 October 1957.

⁷⁴ On Bennett’s use of the Wenner-Gren project on the Peace in the complex negotiations for the treaty, see Swainson, *Conflict over the Columbia*, 85, 95, 118.

⁷⁵ Wenner-Gren to Strid, 19 March 1958, Du Rietz.

⁷⁶ Wenner-Gren to Strid, 1 April, 19 March 1958, Du Rietz.

⁷⁷ In September, a condensed version of this BTH “complete” report was published privately to distribute to investors. See BTH, *British Columbia Development of Hydro-Electric Power*

British Columbia to meet briefly with Bennett. With his arm draped around the premier, he declared that the hydro surveys were “even more than we expected.”⁷⁸

With these surveys in hand, Wenner-Gren could now interest others in joining and providing funds for his project. Accordingly, in Vancouver in October 1958, his managers incorporated the Peace River Power Development Company Ltd. (PRP). Unlike WGBC, it appointed a Canadian as president – former British Columbia Electric (BCE) executive W.C. Mainwaring. Both Canadians and Britons participated in the capital financing of the new company and joined the board of directors. By 1960 a photo of its directors, in which Strid was the only Swede, suggested that Wenner-Gren’s control was receding. In the initial capitalization, however, WGBC and Gore-Bruce held shares, again 80:20, amounting to \$8.4 million or 87 percent of the total value of shares.⁷⁹

Moreover, these two parties had 8.1 million par value shares issued at a steep discount – 33 1/3 ¢ per share, ostensibly to cover the \$2.7 million that Wenner-Gren had earlier spent on hydro surveys.⁸⁰ In 1960, CCF MLA Randolph Harding complained that the promoters had already “made a fortune” selling discounted shares at par value to other investors, which included Western Development and Power, a subsidiary of the holding company that controlled BCE, and Associated Electrical Company (BTH with a new name).⁸¹ In a radio interview with Jack Webster, Mainwaring attempted to skirt a question concerning the beneficiaries of the discount. On the price that new investors paid for the discounted shares, he claimed ignorance and accused the CCF of “trying to create an impression in the minds of the public that somebody is making a killing out of PRP.”⁸²

The accusation stuck. A financial reporter later suggested that Wenner-Gren’s sale of his holdings before nationalization led to a return of \$2 million, which, when added to compensation for his remaining shares

(London: Sir William Halcrow and Partners, September 1958), vol. 1, Z0812, BC Hydro and Power Authority Archives.

⁷⁸ *Daily Colonist* (Victoria), 25 July 1958.

⁷⁹ Peace River Power Development Company Ltd., GR 1583, file 42962, BCA.

⁸⁰ PRP claimed that it had justified both the value of the expenditure and the size of the discount by commissioning reports from Price Waterhouse and four banking groups. These reports were not made public. See *Financial Post*, 18 March 1961. Perhaps to increase investor interest, WGBC also purchased 250,000 shares at par value so that its total initial holding was 7.134 million shares. See Peace River Power Development Company Ltd., GR 1583, file 42962, BCA.

⁸¹ *Vancouver Sun*, 11 February 1960.

⁸² Transcript, Webster interview with Mainwaring, 15 February 1960, MS-0393, W.N. Chant Papers, box 2, file 10, BCA.

of fifty cents on the dollar, produced a profit of \$900,000. The Swedish account of Wenner-Gren's later activities concludes that the financier made three times his total investment in PRP, of which approximately half came from the sale of discounted stock.⁸³ By the end of 1961, WGBC had sold 2.6 million PRP shares. If all had been sold at par value, it would have produced a profit of \$1.8 million on the discounted shares. But this is far from certain.

Before nationalization, the total value of Wenner-Gren PRP shares sold was \$950,000, but Wenner-Gren also purchased 519,000 par value shares in four installments to retain majority control.⁸⁴ In April 1960, when Wenner-Gren regretted the sale of another lot of discounted shares, WGBC purchased 77,000 PRP shares at par value the same day. When Bennett and BCE president Dal Grauer made supposedly separate offers to purchase outstanding shares of PRP at the same price in May 1960, Gore and Strid "gave a definitive no to all sales ... So long as we have majority control, we can direct development to a certain extent."⁸⁵

Less than a year later, given the ever-worsening position of Wenner-Gren's investments, Strid mused about selling more PRP shares without losing majority control. Instead, he had to deposit money in a Swedish bank to "avoid the scandal" of WGBC being unable to pay the \$115,000 for the final purchase of par value PRP shares.⁸⁶ By April 1961, Wenner-Gren sought to turn any BC assets into cash. His desperate position the following month led him to consider offering more PRP shares to pay pardoned war criminal and Alweg investor Alfried Krupp to keep him in the partnership. Just a week before nationalization in August 1961, Wenner-Gren reiterated his desire to hold on to hydro: "The situation in BC seems very promising and ... we must try all we possibly can to keep the control of the most valuable projects."⁸⁷

On 11 October, during the interval between nationalization and the government announcement of its compensation plans, Wenner-Gren transferred 1 million PRP shares to Gore.⁸⁸ Gore was aware of the actual cost of these because he had shared in the initial distribution of discounted PRP shares, and Wenner-Gren had not paid him his annual salary of \$70,000 for at least three years. Accordingly, these shares probably transferred at the discount price of \$333,333.33, with no profit

⁸³ *Vancouver Sun*, 22 November 1961; Boman and Dahlberg, *Dansen*, 83.

⁸⁴ Strid to Wenner-Gren, 1 September 1961, Du Rietz.

⁸⁵ Strid to Wenner-Gren, 20 May 1961, Du Rietz.

⁸⁶ Strid to Gore, 21 March 1961; Strid to Wenner-Gren, 30 March 1961, Du Rietz.

⁸⁷ Wenner-Gren to Strid, 22 April, 17 May, 25 July 1961, Du Rietz.

⁸⁸ Peace River Power Development Co. Ltd., file 42962, transfer share record, GR-1583, BCA.

for Wenner-Gren, which reduced the total income from shares sold to \$1,283,000. With his purchase of 519,000 par value shares, Wenner-Gren's actual return from the sale of discounted stock was \$764,000 – less than half his reported profit. Until shareholders officially received compensation payment for expropriation on 24 November 1961, the day of Wenner-Gren's death, the financier retained majority control of PRP but at great cost.⁸⁹

HYDRO: EXPROPRIATION AND COMPENSATION

The nationalization of PRP along with that of the British Columbia Electric Company (BCE) in August 1961, perhaps the most dramatic action of the BC Social Credit government during its twenty-year tenure, played a critical role in Wenner-Gren's misfortunes in British Columbia.⁹⁰ Serving as a counterpoint to the few studies that consider the position of BCE in the event, this article offers a partial narrative of the expropriation of PRP.⁹¹ It follows Wenner-Gren's and Strid's continual disregard of the growing prospect of nationalization before August 1961, reveals exaggerated appraisals of compensation after the expropriation, and estimates Wenner-Gren's "final" return on his hydro venture.

Long before nationalization, Bennett had conveyed his increasing displeasure with PRP's lack of progress in developing the Peace. Sometime in early 1959 the premier insisted that Wenner-Gren construct a railway according to the terms of the 1956 agreement in order to gain access to the resources in the development area, including hydropower, which compelled Wenner-Gren to commission an expensive survey west of the Rocky Mountain Trench for a conventional railway to protect his other investments. The survey report, submitted in December 1959, does not mention this condition, and Strid alluded to it only in May 1960.⁹²

In December 1959, PRP submitted its final ten-volume report on the Peace River project. Optimism bias, the planners' fallacy of overestimating benefits and underestimating costs that had afflicted the

⁸⁹ Peace River Power Development Co. Ltd., file 42962, Certificate, A.H. Hall, Registrar of Companies, 24 November 1961.

⁹⁰ For opposing interpretations of the expropriation that largely ignore the details, see, for example, Mitchell, *W.A.C.*, 303–12; and Robin, *Pillars of Profit*, 228–36.

⁹¹ On the expropriation of BCE, see Stuart Keate, "The Smile of the Tiger: Why Bennett Took over BC Power," *Saturday Night* 76 (16 September 1961), 11–14; William H. Tieleman, "The Political Economy of Nationalization: Social Credit and the Takeover of the British Columbia Electric Company" (MA thesis, University of British Columbia, 1984); and Gordon Shrum, with Peter Stursberg, *Gordon Shrum: An Autobiography* (Vancouver: UBC Press, 1986), 81–87.

⁹² Strid to Wenner-Gren, 2 May 1960, Du Rietz.

project leaders, now extended to the report's authors.⁹³ Their estimate of the total cost of construction of the main dam (Portage Mountain), \$354 million (little more than half the final cost of the dam), was as fanciful as the artist's impression of the sleek completed Wenner-Gren dam, perhaps the only image concerning the project commissioned by Wenner-Gren that fits Scott's observation about the aesthetic element of high modernism (see Figure 4).⁹⁴ Nevertheless, Strid informed Wenner-Gren that Bennett was very pleased with the report. On 25 March 1960 the provincial Water Rights Branch comptroller accepted the report from an engineering viewpoint. Strid claimed that it had convinced both the British Columbia and Canadian governments that the Peace must have priority over the rival Columbia River project.⁹⁵

Bennett again signalled his impatience in April 1960 when he offered to return the financier's \$500,000 deposit. Strid simply regarded the offer as an opportunity to establish security for yet another loan. The following month, Gore rebuffed Bennett's demand that Wenner-Gren relinquish all his shares to the government in order to eliminate the project as a political liability in the forthcoming election. Though he offered twice the discounted share price, the premier also hectoring Gore about Wenner-Gren's blacklisting and his relations with Krupp in Alweg. Refusing the premier's offer, Gore reminded Bennett that he should be grateful for all that WGBC had done for the province.⁹⁶

It is clear that the government's decision to nationalize both PRP and BCE stemmed largely from PRP's inability to secure a contract with BCE to purchase power from the proposed Peace River Dam, which delayed construction and discouraged additional private investment.⁹⁷ PRP negotiations with the BCE, the largest distributor of electricity in the province, dragged on through the first half of 1961. By this time both WGBC and PRP required more capital. In February, Wenner-Gren

⁹³ Bent Flyvbjerg, "Survival of the Unfittest: Why the Worst Infrastructure Gets Built – and What We Can Do about It," *Oxford Review of Economic Policy* 25, no. 3 (Dec. 2009): 344–67.

⁹⁴ Peace River Power Development Company Ltd., *Peace River Hydro-Electric Project*, vol. 1, *Report* (Vancouver: BC and BB Power Consultants Ltd., 1959), 45. Scott, *Seeing Like a State*, 4, suggests that "carriers of high modernism tended to see rational order in remarkably visual aesthetic terms."

⁹⁵ Bennett's Two Rivers policy played an important role in producing the Columbia River Treaty of 1961, implemented in 1964, which mandated the construction of three reservoir dams on the Canadian side of the Upper Columbia River Basin. British Columbia received a lump sum in cash for its part in the long-term downstream benefit of increased flood control and power generation on the US side. On the complex negotiations for the treaty, see Swainson, *Conflict over the Columbia*.

⁹⁶ Strid to Wenner-Gren, 13 April, 2 May 1960, Du Rietz.

⁹⁷ See Swainson, *Conflict over the Columbia*, 157–58; Tieleman, "Political Economy of Nationalization," 36–39; Stanley, *Voices from Two Rivers*, 9, 37; and Sims, "Dam Bennett," 137.



Figure 4. Artist's impression of proposed Wenner-Gren Dam, December 1959. *Source:* Peace River Power Development Company, *Peace River Hydro-Electric Project*, vol. 1, *Report* (Vancouver: BC and BB Power Consultants Ltd., 1959), facing p. 41.

confided that if it received another loan from the Bank of Commerce, half of it would go to Gore for past debts and the “remainder would just tide us over for the next week.” In March, Strid lamented that he required \$200,000 just to keep WGBC going, but exchange controls meant he could not obtain it from Sweden. Yet, even as Gore was forced to delay the start of construction, Strid informed Wenner-Gren that the sale of PRP shares on the stock exchange, expected later in the year, would allow refinancing. He added that UK experts had already predicted that PRP shares would increase ten times in value over the next decade.⁹⁸ Strid did not inform Wenner-Gren of PRP President Mainwaring’s desperate attempt to convince BCE that both parties must quickly settle on a contract for Peace power in order to avoid nationalization.⁹⁹

As the legislature passed the nationalization bill in early August, financial pressure on other projects led Wenner-Gren to wonder if he could “realize some important asset or get some valuable compensation for PRP, which could be turned into cash.” Strid informed him that, since the government proposed to redeem BCE shares at more than

⁹⁸ Wenner-Gren to Strid, 15 February, Strid to Gore, 21 March, Strid to Wenner-Gren, 30 March 1961, Du Rietz.

⁹⁹ Sherman, *Bennett*, 243; Swainson, *Conflict over the Columbia*, 197.

their current market value, PRP shares would be redeemed for at least two dollars, which meant a \$10 million return from Wenner-Gren's investment.¹⁰⁰ Heeding Strid's prediction, Wenner-Gren declared a week later that "we should not throw away our PRP shares for just any amount that we can get for them." But he lowered his expectation of compensation to par value. Strid also retreated, maintaining that even the minimum compensation of one dollar per share would produce \$5 million, 2.5 times what had been invested, but provided no explanation for the sunny conclusion.¹⁰¹

Unlike the award offered to the BCE, the government compensated the shareholders of PRP solely for the company's assets, its "plans, proposals, reports, surveys, and other documents resulting from surveys and engineering and feasibility studies" for which Comptroller General C.J. Ferber "diligently spent many days checking and double checking receipts and invoices to see where that organization [PRP] had spent their money."¹⁰² Public discussion began in early September when a *Province* reporter suggested that the final payout would lie somewhere between \$10.6 million, an estimate of the worth of the project given by PRP to the BC Energy Board, and \$8.9 million, rumoured to be the sum calculated by Ferber.¹⁰³

When presented with news of the precise compensation in mid-October, the PRP board clumsily cobbled together an estimate that more than doubled the valuation by including such dubious items as its advantageous contract with BTH, a finder's fee, and the 1957 agreement with the province itself, each supposedly worth \$2.5 million. So outrageous was this sum of \$17 million that its own lawyers ignored it when they filed suit two years later.¹⁰⁴ Under protest, the PRP directors decided on

¹⁰⁰ Wenner-Gren to Strid, 3 August; Strid to Wenner-Gren, 4 August 1961, Du Rietz.

¹⁰¹ Wenner-Gren to Strid, 10 August 1961; Strid to Wenner-Gren, 11 August 1961, Du Rietz.

¹⁰² BC, *Statutes*, 1961, 2nd session, chap. 4, "An Act to Provide for the Reorganization of the British Columbia Electric Company Limited and the Development of Power Resources," section 10; R.B. Worley, *The Wonderful World of W.A.C. Bennett* (Toronto: McClelland and Stewart, 1971), 237. Although the comptroller's award was the subject of debate in the legislature in 1964, a freedom of information request indicates that it remains unavailable.

¹⁰³ *Province*, 7 September 1961.

¹⁰⁴ BC Power Commission (3-2), PRP, "Compensation Studies . . .," 20 October 1961, Simon Fraser University Archives, W.A.C. Bennett Fonds, F-55-36-0-0-6. An ambitious challenge of BCE shareholders led a judge to declare the original expropriation legislation unconstitutional, which eventually resulted in increased compensation in 1963. Only then did PRP shareholders mount a belated legal challenge with the remaining 7 percent of the initial compensation to increase their own compensation from \$8,020,328.12 to approximately \$12.5 million. The government blocked the suit with retroactive legislation in 1964. See BC, Legislative Assembly, Clerk's Papers, no. 60, 19 March 1964, Campney, Owen, and Murphy, Statement of Claim – *Peace River Power Development Company Ltd. v. BC Electric Co. Ltd., et al.*, 3 September 1963; *Statutes*

15 November 1961 to distribute part of the initial compensation to shareholders – 50 percent of par value shares, which amounted to \$6,471,043. For 50 percent of the value of his 4,573,912 PRP shares after the October transfer to Gore, Wenner-Gren received \$2,286,956, which Table 1 reveals led to a final net loss of \$747,908 on PRP, not the profit that business reporters claimed.

TABLE 1: WENNER-GREN FINAL RETURN FROM PRP

YEAR(S)	ITEM	EXPENDITURE (\$)	INCOME (\$)	BALANCE (\$)
1956–58	surveys	2,700,000		
1958–61	surveys	939,515		
1958–61	share sale (incl. to Gore)		1,283,000	
1958–61	share purchase	519,000		
1958–61	fee from timber survey		25,000	
1958–61	Gore salary; office	184,349		
1961	compensation from expropriation		2,286,956	
		4,342,864	3,594,956	- 747,908

After his final tally of PRP assets and expenditures in September 1961, Strid maintained that the expected profit from the nationalized hydro shares would lead to tremendous returns on other investments in British Columbia “if we have some capital available.”¹⁰⁵ But Wenner-Gren’s railway and mineral ventures in British Columbia fared even worse than his hydro company. Having completed a survey costing more than \$900,000 imposed by the government, the Pacific Northern Railway incorporated hurriedly and met the terms of the 1956 agreement by beginning construction one day before the deadline of 30 June 1960. However, after the ludicrous “opening” of the southern terminus of the new railway company, presided over by the premier, who declared it the “largest railway construction project of this century,” an immediate con-

of BC 1964 (SBC 1964), chap. 40, “An Act Respecting Power Development”; *Vancouver Sun*, 13 July 1964.

¹⁰⁵ Strid to Wenner-Gren, 1 September 1961, Du Rietz.

struction halt led disappointed workers to mock the concern as “Probably No Railway,” and Wenner-Gren’s partners in the venture quickly withdrew.¹⁰⁶ Lundberg’s aerial mining surveys, which cost \$1,178,473, located no major mineral deposits in the trench and led to little more than grandiose predictions. When Wenner-Gren declared in English that these “mineral discoveries would offer the biggest returns within a reasonable time,” Strid wrote in Swedish in the margin, “Wrong!”¹⁰⁷ The prospect of profitable forestry development began only after the financier’s death, when the Wenner-Gren interests shifted to a minority share position in Alexandra Forest. Yet the sorry performance of hydro and the other projects did not deter Strid from proclaiming that in the future Wenner-Gren organization, one of the cornerstones would be British Columbia.¹⁰⁸

CONCLUSION

Driven by high modernist enthusiasm for developing the Peace River, the Bennett government made deals with an exotic capitalist who gave the impression of vast wealth but whose finances, in fact, were in disarray. When Bennett realized Wenner-Gren’s financial weakness, he discarded the financier’s hydro plan. On the other hand, promises of progress and development by Wenner-Gren or his subordinates in press conferences and brochures that appear to fit within the frame of high modernism were as much a pretext as were the declarations of expenditure to conform to terms of the 1956 agreement.¹⁰⁹ Placed beside the Alweg engineer’s estimate of monorail cost in 1957, Gore’s declaration to a Vancouver press conference that “our experts ... feel that a monorail is the best, most economical, most modern way of transport [for northern British Columbia],” evokes *The Simpsons* cartoon monorail con artist Lyle Lanley.¹¹⁰

However, Wenner-Gren’s exchanges with Strid reveal that neither correspondent fit the robber baron stereotype – astute as well as ruthless.¹¹¹

¹⁰⁶ *Prince George Citizen*, 30 June 1960; *Prince George Echo*, 30 June 1960; Taylor, “Bennett Government’s Pacific Northern Railway,” 47–48; Sherman, *Bennett*, 231–34.

¹⁰⁷ Strid to Wenner-Gren, 14 July 1960; Wenner-Gren to Strid, 25 July 1961, Du Rietz.

¹⁰⁸ Strid to Gore, 21 March 1961, Du Rietz.

¹⁰⁹ Strid to Wenner-Gren, 1 September 1961, Du Rietz (see note 61, above).

¹¹⁰ *Prince George Citizen*, 2 December 1958 (see note 55, above). Dahlberg, *Vem var Axel Wenner-Gren – En PR man?*; *The Simpsons*, “Marge vs. the Monorail,” 14 January 1993.

¹¹¹ For the origin and evolution of the popular notion of the piratical capitalist, see Thomas C. Cochran, “The Legend of the Robber Barons,” *Pennsylvania Magazine of History and Biography* 74, no. 3 (1950): 307–21. Richard White, *Railroaded: The Transcontinentals and the*

As his confidante as well as employee, Strid frequently offered optimistic views of Wenner-Gren's deteriorating finances – a sort of Swedish Micawber. But he did not disguise all bad news. In the 1975 Swedish “Wenner-Gren scandal” trial concerning the misappropriation of funds in Wenner-Gren's philanthropic foundations, Strid's defence lawyer argued, unsuccessfully, that his client's stupidity did not deserve punishment. Swedes have sometimes wondered whether senility distorted Wenner-Gren's decisions during his last years.¹¹² Perhaps a more illuminating source than pathology is US legal historian J. Willard Hurst's elegant phrase, “bastard pragmatism,” which describes, and criticizes, the propensity of many concerns to focus on short-term gains.¹¹³ By 1960, desperation to meet loan calls drove the Wenner-Gren obsession with immediate returns. Deploying a recent typology of business failure, one can categorize the hydro company leaders as “foolish” because they ignored the potential danger of mounting debt.¹¹⁴

The failure of the BC project did not bankrupt the entire Wenner-Gren enterprise after the financier's death, as one scholar maintains, because the whole concern had been spiralling downward since the mid-1950s through a series of bad investments.¹¹⁵ The multiple losses that Wenner-Gren experienced in hydro and his other ventures in British Columbia are simply one element of a much larger case of business failure – the entire group of Wenner-Gren companies. Examination of this particular failure illuminates the role and vulnerability of promotion, a crucial aspect of resource and infrastructure development in British Columbia.¹¹⁶

Making of Modern America (New York: W.W. Norton, 2011), emphasizes the incompetence of many so-called robber barons, which did not prevent them from becoming powerful.

¹¹² Boman and Dahlberg, *Dansen*, 100, 212.

¹¹³ J. Willard Hurst, *Law and Social Process in United States History* (Ann Arbor: University of Michigan Law School, 1960), 122–23.

¹¹⁴ van Rooij, “Sisyphus in Business,” 218.

¹¹⁵ Ilya Luciak, “The Life of Axel Wenner-Gren – An Introduction,” in *Reality and Myth*, 28.

¹¹⁶ For an anecdotal account of some other twentieth-century promotions concerning development in British Columbia, see David Cruise and Alison Griffiths, *Fleeing the Lamb: The Inside Story of the Vancouver Stock Exchange* (Vancouver: Douglas and McIntyre, 1987). Wenner-Gren's failure shares several characteristics with those of other promoters. For example, the highly leveraged investments of German promoter Alvo von Alvensleben in the resource sector deteriorated rapidly in 1912–13 before being confiscated as enemy property at the outbreak of the war. See Cruise and Griffiths *Fleeing the Lamb*, 17–30; Geoffrey Poitras, “Fleeing the Lambs? The Founding and Early Years of the Vancouver Stock Exchange,” *BC Studies* 201 (Spring 2019): 58–63; and Robert A.J. McDonald, *Making Vancouver: Class, Status, and Social Boundaries, 1863–1913* (Vancouver: UBC Press, 1996), 134.