European Financial Capital and British Columbia: An Essay on the Role of the Regional Entrepreneur

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It has been observed that in the process of economic development new regional economies which are highly dependent on the extractive industries tend to import capital.[1] This tendency is characteristic of those economies with a small income (population) base, a lack of basic infrastructure, a high marginal propensity to import and abundant natural resources. Consequently, when there is an increase in world demand for the resources of the region the expansion of investment opportunities in all sectors of the economy proves too great to be financed by domestic savings. Rates of return rise above those prevailing elsewhere and foreign capital flows into the region to finance new capital formation. Such were essentially the salient features of the regional economy of British Columbia in the late nineteenth and early twentieth centuries when expansion of the minerals, fish and forest industries provided the stimuli for capital imports.

In a pattern similar to that in other regions of Canada during the period 1890-1914, the greatest proportion of this capital inflow into British Columbia was mobilized through the formal capital market in London. Great Britain in some years exported no less than 7.5 per cent of its net national income abroad.[2] Provincial, municipal, and government-guaranteed bonds were readily subscribed by the British public and in British Columbia financed, for the most part, the provision of social overhead capital such as new urban services and improved transportation facilities.[3] Only a small component of this capital flow was mobilized by the issue of corporate securities. However, low-risk characterized even

*I would like to thank my colleagues who sympathetically commented on earlier drafts of this paper.

1 D. C. North, "Location Theory and Regional Economic Growth," *Journal of Political Economy*, LXIII, (June 1955), 251-258.

2 P. Deane and W. A. Cole, *British Economic Growth*, 1688-1959, 2nd ed., (London, 1969), 308.

3 M. Simon, "New British Investments in Canada, 1865-1914," *Canadian Journal of Economics*, III, No. 2, (1970), 238-254.

these issues which were overwhelmingly in the form of fixed-interest debt. Although $23.4 million in British Columbian corporate securities were taken-up in London between 1911 and 1913, all were in the form of mortgage bonds, debentures, and term notes.[4] Issued most frequently by utility companies they also financed capital formation in the expanding infrastructure. Rarely were corporate securities the basis of new investment in pulp and paper mills or fish processing plants. In most respects the formal capital market remained conservative with respect to the types of instruments demanded and the high-risk nature of many regional securities, especially equities, precluded subscription through this medium.[5] If, as a consequence, rates of return to new investment remained higher inside the region than elsewhere direct investment from outside the region would occur.

Not without reason economic and business historians have stressed the role of foreign (extra-regional) direct investment in equalizing rates of return between regions.[6] Foreign capitalists observe high rates of return in a region and respond by mobilizing financial capital which they subsequently invest and which, in turn, depresses profit rates.[7] (In contrast, rates may rise in the capital exporting regions if the capital flow is significant enough to affect the aggregate supply of savings offered for investment there.) Thus, through their corporate activities, foreign capitalists may bring to the developing region financial capital, entrepreneurship and *control* from the metropolitan centres.

During the twenty-five years prior to the First World War, British, American, and Eastern Canadian companies were investing in British Columbia at an unprecedented rate.[8] Emphasis on the above process has tended to assign a passive role to the regional entrepreneur. Yet despite the scarcity of domestic financial capital and the process of extra-regional direct investment there is little evidence, at least for British Columbia, of

[4] Calculated from F. W. Field, *Capital Investments in Canada*, 3rd ed., (Toronto, 1914), 259-282.

[5] D. N. McCloskey, "Did Victorian Britain Fail?" *Economic History Review*, Sec. Ser., XXIII, No. 3, (1970), 453 and Simon, *loc. cit.*

[6] L. Davis, "Capital Immobilities and Finance Capitalism: A Study of Economic Evolution in the United States, 1820-1920," *Explorations in Entrepreneurial History*, 1, No. 1, (1963), 88-105 and other works by this author claim that the degree to which interregional interest rates vary is a measure of the barrier to efficient capital mobilization.

[7] G. A. D. MacDougall, "The Benefits and Costs of Private Investments from Abroad, A Theoretical Approach," *Economic Record*, XXVI, No. 1, (1958), 13-35.

[8] This process is well documented in the *B.C. Review*, Vancouver, *The Monetary Times*, Toronto, and *The Canadian Financial Review*, Toronto.

a frustrated capitalist group. Incentives may clearly exist for regional entrepreneurs to attempt the mobilization of foreign capital through some informal capital market. First, rates of return to investment in the region may not be reduced by foreign direct investment to the level prevailing outside the region. This may result from an inadequate supply of high-risk funds available to the direct investors at given profit rates. Or, foreign capitalists may have an inadequate knowledge of the region, thereby creating an uncertainty barrier to efficient interregional capital mobilization. Second, because of the dynamic nature of the investment process, at any moment in time, the regional entrepreneur may be in a position to capture a higher than normal return. The domestic capitalists then may be induced to search for high-risk foreign funds.

If the regional capitalists are motivated to search for foreign financial capital outside the structure of a formal capital market their success will be contingent on the extent of personal and business links with individuals in the metropolitan centres. In areas of recent settlement, such as British Columbia, it may be imagined that these connections were relatively strong.[9] The hypothesis then to be examined here is that regional entrepreneurs were successful in mobilizing substantial amounts of high-risk financial capital in order to undertake investment. This investment, despite the inflow of direct investment funds, enabled a greater degree of domestic participation in the developing economy of British Columbia than otherwise would have been the case. The period of rapid economic development in British Columbia being considered here, 1890-1914, was also marked by the preeminence of the European capital market centred in London. As a result, attention will be directed to the flow of high-risk financial capital emanating from Europe, in general, and Great Britain, in particular. First, the pattern of equity financing undertaken by domestic business concerns will be analysed. Second, a study of the anatomy of the direct investment process will reveal any possible role played by regional capitalists.

In order to determine if British Columbian entrepreneurs did successfully mobilize foreign funds for high-risk enterprises, it is necessary, in the first instance, to examine the equity financing of new domestic companies. What proportion of the share capital was raised outside the province and did the mobilization take place in an unstructured market? Empowered

[9] In his study of the Canadian industrial elite, T. W. Acheson notes that as late as 1905/10 none of his sample of Western Canadian capitalists were born in Western Canada. T. W. Acheson, "Changing Social Origins of the Canadian Industrial Elite, 1880-1910," *Business History Review,* XLVII, No. 2, (1973), 194.

by the registering authorities to create $21.3 million in share capital, the thirty-two of the largest registered provincial companies in the years 1910 to 1912 secured $12.5 million in cash payments (58.6% of the authorized capital).[10] Of these common and preferred equity issues the majority was subscribed by local residents. Nevertheless, eighteen of the thirty-two companies in the clustered sample relied on extra-regional subscriptions for over five per cent of their issues. In total no less than twenty-four per cent of the subscriptions and resulting cash payments originated outside the region. As indicated in Table 1, a high proportion of the foreign

TABLE 1

THE DISTRIBUTION OF EXTRA-REGIONALLY HELD SHARES IN THE THIRTY-TWO LARGEST PROVINCIAL COMPANIES FORMED IN THE PERIOD 1910-1912

Location	*Per Cent*
Continental Europe	61.4
Great Britain	14.7
United States	13.7
Other Regions of Canada	10.2
	100.0

Calculated from *Lists of Shareholders*, Public Archives of British Columbia.

funds were marshalled in Continental Europe. In contrast, only modest proportions came from Great Britain, the United States, and the other provinces of Canada.

Local companies seldom attempted to mobilize foreign savings from more than one area. For example, in the Ardath Estate Company Limited[11] all of the extra-regional shareholders were British and in the American-Canadian Coal Company Limited[12] they were exclusively Cana-

10 See Appendix A. Companies in British Columbia were required to register as provincial, extra-provincial, or foreign. Extra-provincial companies included firms registered in other provinces, federally registered companies, and British companies. Province of British Columbia, *Companies Act*, King's Printer, Victoria, 1947 and *British Columbia, the Companies Act and Amendment Acts of 1912 and 1913*, ed. W. A. Brown, Toronto, 1913.

11 *Ardath Estate Company Limited*, 42.37/653/1910, Public Archives of British Columbia, Victoria, B.C. (hereafter, P.A.B.C.).

12 *American-Canadian Coal Company Limited*, 620, British Columbia Companies Registration Office, Victoria, B.C., (hereafter, B.C.C.R.O.).

dians from provinces other than British Columbia. In the latter case, the bulk of the extra-regional equity sales were undertaken in the province of Saskatchewan. Similarly, British funds which flowed into the South Kelowna Orchard Company Limited emanated from only two districts in Great Britain, Sussex and South East Scotland.[13] Therefore, it is observed not only that foreign equity sales were specific to given areas but also that they tended to be concentrated *within* the capital exporting areas. Had the facilities of a formal market been employed in the process of mobilizing capital it would not be expected, *ceteris paribus*, that the foregn shareholders would be so concentrated. One of the attributes of a structured capital market is the provision, through stockbrokers, for underwriting equity issues. This, in turn, ensures a wider distribution of subsequent sales. Thus, there is consistency in the evidence of very few institutional purchases (or purchases by stockbrokers) and a narrow geographic dispersion of shareholders.

When a business concern relies on foreign financing to such an extent that the non-residents hold a majority of equity securities, legal control lies outside the region. Only if company decision making authority, or effective control, remains within the region and overwhelms external legal control can the firm be properly regarded as a domestic enterprise. For three of the firms under consideration the major source of equity finance lay outside British Columbia. All three, however, were effectively controlled from within the province. Boards of directors were almost exclusively local residents, the presidents of the firms were, likewise, domestic entrepreneurs, and all head offices were located in Vancouver. By limiting the sales of voting shares to the few domestic subscribers, one company reinforced domestic control.[14] Foreign shareholders then did not even have the right to question company policy. Although clearly domestic enterprise it is, nevertheless, significant that two of those firms accounted for almost the entire mobilization of financial capital from continental Europe.

In view of the high proportion of shares subscribed by German and French savers, and the concentration in two companies it must be asked if such involvement was typical of the other years in the period 1890-1914? A summary examination of local businesses' financial histories suggests

[13] List of Shareholders, *South Kelowna Orchard Company Limited*, 63/57/462/1910, P.A.B.C.

[14] *Franco-Canadian Trust Company Limited*, D233/31/10/1928, P.A.B.C. *American-Canadian Coal Company Limited*, 620, B.C.C.R.O., and *Issaquah and Superior Coal Mining Company Limited*, D268/27/3/1919, P.A.B.C.

that this was representative. The Pacific Northwest of Canada was an area of recent settlement with a large immigrant population. As early as 1888 David Oppenheimer,[15] an immigrant-businessman initially from Bavaria, was elected mayor of Vancouver. Through this office and his official capacities with other organizations, such as the British Columbia Agricultural Association, he did much to publicize the province in his native country.[16] However, it was another German immigrant, Alvo von Alvensleben, who attracted more German financial capital to the region than any other person. His first major venture was the formation of the Vancouver Timber and Trading Company Limited founded in 1905.[17] Apart from his own holdings all the common and preference shares were floated in Germany. This amounted to $4.5 million.[18] Next, in 1908, von Alvensleben formed an investment company under his own name. Although it was capitalized at a modest $25,000 between 1908 and 1911 this company alone was responsible for directing over $7 million of German savings into regional enterprises, real estate, and first mortgage securities. By 1910, in addition to some more smaller businesses the Alvensleben empire included the Standard Fisheries Limited (capitalized at $410,000) which had been organized to take over the Pacific Coast Fisheries Limited, a halibut processing plant in the Queen Charlotte Islands.[19] His coal mining interest alone amounted to $3.5 million[20] by 1914 (one of the latter is included in the previously mentioned sample).

German financial institutions, according to von Alvensleben's own testimony, were extremely hesitant about investing in Canada.[21] (The editor of the major Canadian financial journal of the day, *The Monetary Times*, attributed this reluctance to the failure of the Sovereign Bank of Canada in which the Dresdner Bank of Germany had invested over $1

[15] J. M. S. Careless, "The Business Community in the Early Development of Victoria, British Columbia," in *Canadian Business History*, ed. D. S. Macmillan, (Toronto, 1972), 108.

[16] *Biographical Dictionary of Well-Known British Columbians*, ed. J. B. Kerr, (Vancouver, 1890), 266-267. L. Mackovski, "The Rise of the Merchant Princess," *British Columbia Magazine*, (Vancouver, June 1911), 542-550.

[17] "Tabulated List of Companies Incorporated, Licensed, and Registered in the Province of British Columbia," *Sessional Papers of British Columbia, 1913*, I, (Victoria, 1913), B-37.

[18] H. J. Boam, *British Columbia, Its History, People, Commerce, Industries, and Resources*, (London, 1912), 264.

[19] *Ibid.*, 235-236.

[20] Field, *op. cit.*, 85.

[21] A. von Alvensleben, "German Investments in Canada," *The Monetary Times Annual*, (Toronto, 1914), 82.

million.)[22] Denied access to the formal capital market, this young German-Canadian capitalist relied heavily on his wealthy, aristocratic background to secure capital in Germany for investment in British Columbia.[23] In 1913 von Alvensleben mobilized over $1.1 million in German funds for his Issaquah and Superior Coal Mining Company Limited. Of the 127 separate shareholders, 33 were titled (prinz, graf, and baron). An additional group prefaced their surnames with "von" which was characteristic of the German petty aristocracy and upper middle class and 31 others were ranking officers of the army or administrative officials such as rittmeisters and Landrats.[24] Clearly evident from the shareholder list is the narrowness of the socio-economic group which subscribed its savings. In the early stages of modern corporate enterprise the extended kin or social group was an important mechanism through which to mobilize financial capital. The known character of the group was apparently sufficient to allay fears about the degree of risk involved in any given investment project. However, the financial requirements of the early enterprises were typically small. By extending this traditional mechanism to cover investments which were not only large but distant from the source of saving, an inflow of financial capital was ensured.

Domestic capitalists were also instrumental in attracting equity funds from other areas in Europe. The well-known local businessman, newspaper editor, and political figure, F. L. Carter-Cotton managed the investments of the Franco-Canadian Trust Company Limited.[25] In absolute terms over $20 million flowed into domestic business ventures from continental Europe between 1890 and 1914.[26] For large firms, if the results of the 1910-1912 sample can be generalized, the marshalling of extra-regional savings with respect to domestic savings was accomplished in a ratio of one to three without the benefits of a formal capital market.

This inquiry poses the hypothesis that regional entrepreneurs were able to extend their participation in the domestic economy beyond the limit imposed by domestic saving. In part this was achieved by the mobiliza-

22 Field, *op. cit.*, 82.

23 He was the son of Count W. von Alvensleben and the former Baroness von Veltheim, F. W. Howay and E. O. S. Scholefield, *British Columbia*, Vol. III, Biographical, (Vancouver, 1914), 113-114.

24 *Issaquah and Superior Coal Mining Company Limited*, D268/27/3/1919, P.A.B.C.

25 M. Robin, *The Rush for Spoils, The Company Province, 1871-1933*, (Toronto, 1972), *passim*.

26 The German component of this represented about 40% of the known German investment in Canada at 1914 according to von Alvensleben, *The Monetary Times Annual*, *op. cit.*, 146 and about 66% according to Field. Field, *op. cit.*, 66-67.

TABLE 2

SELECTION OF SUBSCRIBERS TO THE ISSAQUAH AND SUPERIOR COAL MINING COMPANY OF BRITISH COLUMBIA, 1912.

Subscriber	*Value of Shares $'s*
Frau Christa von Lattorff	7,000
Graf Horace de Pourtales	4,800
Felix von Schweinitz	3,800
Frl. Rosalie Binder	2,500
Baronin B. Steengracht	6,000
Rittmeister V. Lingershausen	1,200
Landrat Bernhard von Tschirscky	2,500
Dr. Arthur Peill	4,000
William Bischoff	1,000
Rittmeister Georg Kayser	7,500
Graf Wilhelm zu Solms-Laubach	5,000
Graf Eberhard zu Stolberg-Wernigerode	19,000
Durchlaucht Marka Prizessin zu Solms-Lich	5,000
Graf Rudolph Zech	5,000
Freifrau Marie von zu Guttenberg	1,000
Hoheit Prinzessin Heinrigh VII zu Reusse	6,000
Rittmeister Kurt von Heyl	2,000
Frau von Pogrell	8,000
Paul Bruggemann	10,000
Herr Walter Bruggemann	5,000
Fritz Kleeberg	600
Se. Excellenz Erbmarschall Freiberr v. Ledebur	20,000
Herr Fritz Leybold	5,000
Berh. Graf zu Stollberg Brustawe	1,000

Issaquah and Superior Coal Mining Company Limited, D268/27/3/1919, shareholders lists, P.A.B.C. The selection of shareholders from the lists for the above table was accomplished by taking every fifth entry. The original listing is not in any apparent order.

tion of funds for domestic enterprises. However, increasingly throughout the period 1890-1914, foreign firms were participating in the business expansion of British Columbia. These firms were first registered abroad or in the other regions of Canada and then permitted to conduct business under the extra-provincial clauses of the British Columbia Companies Acts. In the few isolated cases when financial capital from continental Europe reached the province through a nominally registered foreign company the assets were managed and directed by local entrepreneurs.

Formed to invest in the fruit growing areas of Kelowna, the Belgo-Canadian Fruit Lands Company Limited with its head office in Antwerp was effectively controlled by T. W. Stirling and E. M. Carruthers. Both individuals were involved in domestic fruit growing and marketing enterprises, Stirling and Pitcairn Limited and the South Kelowna Land Company Limited respectively.[27] However, it was the registration of British based firms and not continental European firms that was most prevalent in the pre-1914 years. The question then is, how much of the funds flowing into British Columbia through nominally British firms was actually induced and controlled by local capitalists?

TABLE 3

THE PAID-UP CAPITAL IN BRITISH COMPANIES ACTIVE SOLELY IN BRITISH COLUMBA, SELECTED YEARS, 1890-1914[1]

	1890	*1900*	*1914*
*Total, $000's	6,993.5	80,275.2	52,025.1
% by Sector			
Mining and Exploration	30.0	79.8	25.2
Agriculture, Timber and Real Estate	15.4	1.3	16.5
Financial	49.2	2.0	7.9
Utilities and Services	—	15.8	48.0
Primary and Secondary Manufacturing	5.4	1.6	24.4

[1]Calculated from the Company Files at the Public Records Office, Companies Registration Office, London, and the Office of the Registrar of Scottish Companies, Edinburgh (hereafter P.R.O., C.R.O., and O.R.S.C., respectively).

*Excluded from this table are British companies which held assets not only in British Columbia but elsewhere.

When a firm has a majority of British shareholders it is, in the legal sense, a British direct investment. Table 3 provides an estimate of the extent of this direct investment in British Columbia for selected years prior to the First World War. Clearly evident is the expansion of mining activities in the late nineties when the aggregate value of mining output

[27] "Tabulated List," *op. cit.*, B86. *Okanagan Valley Fruitlands At Kelowna, B.C.*, n.p., 1913, *passim.*

TABLE 4

THE FINANCIAL CAPITAL MOBILIZED BY BRITISH COMPANIES ACTIVE SOLELY IN BRITISH COLUMBIA, 1890-1914[1]

	1890/94	1895/99	1900/04	1905/09	1910/14
Upper-Biased Estimate Total, $000's	3,628.5	63,550.3	26,288.4	12,307.6	22,295.1
*Lower-Biased Estimate Total, $000's	2,962.4	27,093.7	18,775.6	9,580.8	17,290.2
% of Lower-Biased Estimate by Sector					
Mining and Exploration	47.4	84.5	84.2	22.3	9.2
Agriculture, Timber and Real Estate	12.9	2.0	2.1	9.0	17.9
Financial	23.7	1.1	2.0	1.4	22.9
Utilities and Services	—	10.5	11.5	65.7	41.2
Primary and Secondary Manufacturing	16.3	1.6	0.5	1.4	8.6

[1]Calculated from the Company Files at the P.R.O., C.R.O., and O.R.S.C.

*Excludes the value of shares issued for purposes other than cash.

increased fivefold.[28] Also indicated is the growing investment in utilities, such as the British Columbia Electric Railway, after the turn of the century. From these estimates and the extent of business failures, the gross amount of funds mobilized for this investment can be calculated.[29] Presented in Table 4, this gives a more accurate indication of the British savings committed to corporate activity in the Pacific Northwest of Canada. In order that these figures reflect only British savings the lower-biased estimate omits the market value of all shares issued for purposes

[28] In 1894 the value of all mineral production was approximately $4.2 million. By 1901 it was valued at $20.1 million. *Annual Report of the Minister of Mines, 1923*, Province of British Columbia, (Victoria, 1924), A7.

[29] All shares are valued at their issue price.

other than cash. Undoubtedly such a procedure may understate the mobilization of real savings since assets were often transferred by issuing shares to the value of the asset. On the other hand, the value of such assets were often only incidently related to the value of the equities. The resulting pattern of cash subscriptions (itself dependent on company formation) closely parallels the structure of the regional economy of the pre-war period. Typical of many staple exporting regions was the early significance of the general trade, service, construction and transportation sectors.[30] British savings then were flowing in a pattern which was consistent with the general growth in investment opportunities.

Part of this investment was independent of the mobilizing efforts of regional entrepreneurs and can be thought of as "true" direct investment. British capitalists responded to known investment opportunities in the region with a relatively clear appreciation of expected rates of return and degrees of riskiness. When R. M. Horne-Payne bought the faltering British Columbia Electric Railway in 1897, managerial and company policy were quickly transferred to the new London offices. Under his vigorous direction by the beginning of the war it had become "one of the largest privately-owned electrical enterprises in the British Empire."[31] Similarly, regional entrepreneurs played no part in the operations of some of the large British mining ventures. For instance, the British Columbia Corporation which mined a large number of silver-lead and gold sites in the Kootenay District was completely controlled from its London office (and effectively administered by the London and Globe Finance Corporation Limited).[32] Both these companies used the underwriting facilities of London's financial houses and issued equity securities through the London Stock Exchange. In such cases the financial capital associated with the business enterprise was not directly induced by local entrepreneurs and the investment decision did not involve any reassessment of probable risk based on their evidence. The funds were available, at a rate of return, for

30 R. A. Shearer, J. H. Young and G. Munro, *Trade Liberalization and a Regional Economy: Studies of the Impact of Free Trade on British Columbia*, (Toronto, 1971), 3-6.

31 P. Roy, "The Fine Arts of Lobbying and Persuading: The Case of the B.C. Electric Railway, 1897-1914," in *Canadian Business History*, ed. D. S. MacMillan, (Toronto, 1972), 239.

32 *The Mining Manual*, London, various issues, *passim*. *The Stock Exchange Yearbook*, London, various issues, *passim*. Also see various issues of *The Statist*, London, and *The British Columbia Mining Record*, Victoria, B.C. Among the mining claims operated by this company were le Roi, Josie (adjoining le Roi), Number One (adjoining the famous War Eagle claim), Annie Fraction, Black Eagle, and Kootenay Fraction.

investment in the region regardless of the efforts of British Columbian capitalists in Great Britain.

It is impossible to categorize with any precision the financial capital mobilized through the "formal" capital market since this market itself defies any strict demarcation. For instance, although many British companies active in British Columbia in 1914 had, at some time, used the facilities of the British stock exchanges (and as a consequence were listed in the *Stock Exchange Yearbook*), further inspection reveals that most resorted to the market only in order to issue fixed-interest debt. High-risk equities were generally sold in a more informal manner. Available evidence suggests that in all but the mining sector the promotion of shares was carried out, analogous to the cases cited earlier, on a narrow geographic basis within Great Britain. Nor were the firms which used the local stock exchanges in England and Scotland necessarily true direct investments formed and controlled by non-Canadians. In the case of the Nicola Valley Land and Trust Company Limited, most of the financial capital was mobilized in the Glasgow area but promotion, and eventual company management, was undertaken by a British Columbian property agent who had temporarily returned to his native home to found the company.[33]

Even in the rare case when a company did use the facilities of the stock exchanges to secure equity subscriptions, as in that of the Caledonian and Dominion Investment Company Limited, regional capitalists often played the leading role in both the initial process of capital mobilization and the subsequent management. Instrumental in attracting subscriptions to the above company were the members of the local Vancouver advisory board headed by an ex-Lieutenant Governor of British Columbia. This board, along with the local Dominion Trust Limited, totally managed the company's assets which consisted mainly of secured loans.[34] Very few firms then had characteristics which suggest an investment response unrelated to some activity on the part of regional entrepreneurs, even when the underwriting and other formal financial facilities of the British capital market were employed.

Only the subscriptions of savings to British mining companies formed to operate in the Pacific Northwest were exceptions to the established pattern in other sectors. Proportionately more equities were taken-up

[33] *Nicola Valley Land and Trust Company Limited*, 8415 Dissolved, Scottish Companies Registration Office, Edinburgh, (hereafter O.R.S.C.).

[34] *Caledonian and Dominion Investment Company Limited*, 8092 Dissolved. O.R.S.C., *The Stock Exchange Yearbook*, (London, 1915), see entry.

through a formal market. Second, there was less regional control of the British companies involved in mining activities. Both of these exceptions arise because of the existence of the highly organized London market in mining shares.[35] Always speculative in nature this market lurched from one overseas mining boom to another. Physically located next to the famous "Kaffir" market on the floor of "the exchange" the traders in the shares of Canadian mines were extremely active at the height of the mining discoveries in British Columbia during the few years prior to the turn of the century. In mid-1898 there was believed to be about 64 *London registered* companies active in British Columbian mining.[36] (This compares to 138 known *British registered* mining firms with assets in the region.) By this time the equities of 29 new companies were being actively traded and all had been issued through these London facilities.[37]

The promotions by foreign mining concerns and individual entrepreneurs in the London mining market is legendary and the British Columbians were as active as any other group.[38] However, as was so common in that market the emphasis tended to be on the liquidation of mining assets at a speculative gain rather than the control of existing mines. As a consequence proportionately fewer local capitalists participated in British mining ventures than any other type of enterprise.[39] Despite this institution which facilitated the mobilization of financial capital many mining ventures continued to raise funds by the more traditional circulation of a prospectus among limited numbers of potential subscribers.[40]

As in the case of the mobilization of German funds the existing

35 F. Lavington, *The English Capital Market,* (London, 1921), 65-112. E. V. Morgan, and W. A. Thomas, *The Stock Exchange: Its History and Functions,* (London, 1962), 79-99, 125-156. For a description of the dynamics of the mining market see R. Kubicek, "Finance Capital and South African Goldmining, 1886-1914," *Paper Presented at the Canadian Historical Association Conference,* June 1973.

36 On average the London registered companies were larger, in terms of authorized share capital, than those with head offices in other parts of Britain.

37 *B.C. Review, op. cit., passim.*

38 See the various London mining journals and *The Canadian Gazette,* London. For a good description of mining promotions see C. C. Spence, *British Investment and the American Mining Frontier,* Ithaca, N.Y., 1958.

39 British firms in this sector of the Canadian economy had the poorest profitability record. There appears to have been a correlation between the profitability of all British firms in Canada and the degree of authority delegated to the host area. D. G. Paterson, "The Profitability of British Businesses in Canada, 1890-1914," *Proceedings of the Fifth Conference on the Application of Economic Theory and Quantitative Methods to Canadian Economic History,* Laval University, 1972, forthcoming.

40 This is indicated in the Lists of Shareholders and by the large number of private companies and syndicates formed. For example, *Calumete Syndicate Limited,* 3780 Dissolved, O.R.S.C., and *Canadian Goldfields Limited,* 56446/BT/31/7856, P.R.O.

personal-social connection between the ultimate investor and ultimate saver was often strong. When the subscriptions were raised from a geographically narrow area (or socially narrow group) it was this link that induced the increased supply of high-risk financial capital. It was an apparently necessary fiction to maintain a British corporate identity in order to attract British savings even when effective control resided in British Columbia. For example, the issue of the prospectus of the Kamloops Land and Development Company Limited in 1911 and its private circulation in the Manchester area was supervised by Mr. C. Howfray. His activities were conducted on behalf of Mr. W. V. Howfray, believed to be his brother, "a Vancouver real estate agent who (has) had 26 years experience in B.C."[41] When no family or business representative could convey a perception of risk, the regional capitalists usually journeyed to Great Britain in a personal attempt to raise funds (see previous examples). However, even in the instances when such was possible the personal-social link was used as a reinforcing mechanism. Messrs. Bell-Irving and Paterson of British Columbia when securing subscriptions for their new salmon canning enterprise (a British registered company) not only publicized their prospectus by going to London personally to assure the subscribers, but enlisted the aid of a wealthy British relative to lend further credability to their claims.[42]

The historical evidence on entrepreneurial activity of the period 1890-1914 is conclusive even although it permits only the most rudimentary quantification. British Columbian entrepreneurs successfully mobilized substantial amounts of European financial capital to expand their participation in the regional economy beyond the limit imposed by domestic savings. Through informal mechanisms which emphasized personal contact and consequently dispelled fears held by potential investors about the distribution of risk, foreign financial capital flowed into the region. The low proportion of British funds committed to domestic enterprises is in part explained by the unexpectedly substantial amount of capital mobilized in continental Europe and by the extensive participation of British firms in the provincial economy. Many British companies, of course, were only nominally (legally) so. Consequently, it can be concluded that regional entrepreneurs did fulfill a vital function in the British Columbian economy of the pre-1914 years. They were far from passive elements observing the exploitation of regional investment opportunities by foreign capitalists.

41 Prospectus, *Kamloops Land and Development Company Limited*, 117325/BT/31/32104, P.R.O.

42 C. Lyon, *Salmon: Our Heritage*, (Vancouver, 1972), 194-198.

APPENDIX A

SAMPLE OF THE LARGEST PROVINCIAL COMPANIES REGISTERED IN BRITISH COLUMBIA, 1910-1912

Title	*Registration Date*	*Authorized Capital, $*
American-Canadian Coal Co. Ltd.	1910	2,500,000
The Ardath Estate Limited	1912	100,000
The B.C. Breweries Ltd.	1911	2,000,000
B.C. Herring Fisheries Ltd.	1912	100,000
B.C. Wine Co. Ltd.	1910	100,000
British Canadian Home Builders Co. Ltd.	1912	500,000
The British Canadian Loan and Mortgage Corp. Ltd.	1911	500,000
Canadian Amusement Co. Ltd.	1910	250,000
Dominion Mortgage and Investment Co. Ltd.	1911	100,000
Dreadnought Armour Clad Safe Co. Ltd.	1910	150,000
Elko Irrigated Lands Co. Ltd.	1910	250,000
Franco-Canadian Trust Co. Ltd.	1912	2,000,000
Fraser Valley Tile and Cement Co. Ltd.	1912	250,000
Goddard and Sons Ltd.	1910	100,000
Howe Sound Power Co. Ltd.	1911	100,000
Issaquah and Superior Coal Co. Ltd.	1910	1,500,000
J. Hamburry and Co. Ltd.	1911	1,250,000
Milne Produce Co. Ltd.	1911	100,000
National Lands Company of Mexico Ltd.	1910	800,000
North Coast Land Co. Ltd.	1911	2,500,000
O.K. Lumber Co. Ltd.	1910	100,000
Reliance Sash and Door Co. Ltd.	1910	100,000
Rennell Sound Development Co. Ltd.	1912	250,000
Ritchie Contracting and Supply Co. Ltd.	1911	100,000
Siwash Creek Mines Ltd.	1911	500,000
South Kelowna Orchards Ltd.	1911	150,000
The Trust Company of Victoria Ltd.	1911	2,000,000
Western Canada Lands Co. Ltd.	1911	1,000,000
Western Canadian Development Co. Ltd.	1911	100,000
Western Residential Schools Ltd.	1911	500,000
Victoria Arena Co. Ltd.	1911	100,000

Source: P.A.B.C. and B.C.C.R.O. Based on a random sample of all firms with a capitalization greater than $100,000.