

British Agricultural Investment in the Dakotas, 1877-1953

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The classical theory of resource allocation seems to predict a rapid development in a few years of financial institutions and capital markets with comparable interest rates in all regions. However, on the American frontier investment activity required several decades before being integrated into the expanding national capital market. A few scholars have begun to research this apparent aberration [8, pp. 355-56]. A general study of early farm mortgage firms which operated in the West and elsewhere would shed light on part of this problem. However, researchers have avoided making such a study because of a scarcity of data for periods prior to 1920 [19, p. 21] and the difficulty of gathering information from county recorders' offices.¹ Although most business records of relevant investment companies are lost, files of a large sample of international investment corporations survive in the British Isles. From these British records scholars can learn much about the motivations, investment strategies, organizational structures, and capital efficiency of the foreign firms, and by proxy about some details of the behavior of comparable US firms.

During the Gilded Age the foreign firms began operation in several US regional capital markets. One of these was in the West North Central states where farm making and land mortgages were especially important and yet for a prolonged time the quality and quantity of local credit services lagged behind those of the expanding national capital market farther east [21]. The subject of this essay is British investment in Dakota agriculture.² Since the highest interest rates for farm loans in the region prevailed in these two states, British firms should have maximized investments there, as "a high return for given risks" was probably the principal motivation for UK investment abroad at that time [9, p. 1000]. This alien supply response should have speeded development of the local financial market and economy. First I shall examine early trends in the local market for farm credit and land, then I shall survey trends in investment strategies, organizational structures, and capital magnitudes and efficiencies of Scottish,

English, and US firms which sent funds to the Dakotas, and last I shall suggest several effects of this foreign enterprise on local and regional economies and capital markets.

As the American economy recovered from the depression of 1873, a land settlement boom began in Dakota Territory in 1877-78. The settlers created 63,999 new farms in South Dakota and 70,570 in North Dakota between 1880 and 1910 [6, pp. 22-23]. On the demand side of the capital market, new landowners with a roseate view of future prospects borrowed funds through farm mortgages. The value of these debts in South Dakota rose to \$17.9 million in 1886, \$29.3 million in 1890, \$84.9 million in 1910, and \$315.8 million in 1920. In North Dakota during these years the debts reached \$22.2 million, \$22.1 million, \$97.8 million, and \$285.6 million [28, p. 95; and 16, pp. 219-21]. During the 1880s about 75 percent of South Dakota's debtor farmers (65 percent in North Dakota) obtained mortgages for land purchases and to a lesser extent for improvements, with these priorities reversed in the 1890s [28, pp. 288-89; 38, pp. 6-8; and 39, pp. 7-15]. The most active decade of farm making in South Dakota was the 1880s, followed by the 1900s, 1890s, and 1910s, while in North Dakota it was the 1900s, 1880s, 1890s, and 1910s.

On the supply side of the capital market a variety of creditors moved into Dakota Territory to extend real estate loans to new farmers and to profit from high interest rates. Examples of resident lenders include Messrs. Foster & Haywood of Yankton, Wells & Dickey Company of Jamestown, Movius Loan Company of Lidgerwood, and a rapidly growing number of local banks.³ At least 15 percent of the loan funds in South Dakota and 17 percent in North Dakota came from residents; in addition, 0.6 percent and 8 percent were provided by railroads [28, pp. 290, 292, 48, 91, 321-22, and 729] in the 1880s. Most credit, however, came from nonresident institutions. Some of these were the D.S.B. Johnson Land Company of St. Paul, Davenport Brothers of Bath, New York, Showalter Mortgage Company of Boston, Farmers Trust and Loan Company of Chicago, and Union Central Insurance Company of Cincinnati.

Shifts in the cost of mortgage credit during the period reflected the supply and demand trends I have surveyed. Average interest rates in South Dakota during the 1870s were at least 24 percent, declined to less than 10 percent during most of the 1880s, reached 6.2 percent in 1910, and held steady until 1927 when another drop began. Rates in North Dakota dropped to about 9.3 percent in the 1880s, to 6.9 percent in 1910, and in 1919 began a continuous drop until World War II. South Dakota's rates first declined to the level of those in older midwestern states during the 1920s and North Dakota joined the group in the 1930s [30, pp. 122-23; 28, pp. 249 and 259; and 16, pp. 227-28]. Thus, abnormally high rates prevailed in the Dakotas well into the 20th century.

Returning to the supply side of the market, from the 1870s into the 1890s British capitalists became more interested in po-

tentially high-yield US and other overseas investments. This was caused by a decline in the previously massive offerings of choice British, European, and Indian railway and industrial securities which had dominated the London and provincial capital markets since at least mid-century [9, pp. 1001-1003]. This search for new investments abroad coincided with the rush of settlers into Dakota. A boom in wheat production began on this frontier in 1878 and much of the grain and flour from Dakota was exported to the UK, the largest overseas market for American breadstuffs since 1876 [30, pp. 160 and 369-70; and 7, 1 March 1879, p. 214 and 22 November 1879, p. 527]. Through publications distributed in the home islands British travelers and promoters portrayed the Red River Valley as the world's granary and southern Dakota as an extension of the diversified Corn Belt [39, pp. 138 and 144; 12, pp. viii-x, 41, and 216; and 2, 25 October 1878, p. 9, and 19 December 1879, pp. 5-6]. Britons invested in local flour mills and in trunkline railways which rapidly extended roadbeds into Dakota [31, pp. 13 and 29-30; 30, pp. 114, 163-64, and 378; 1, pp. 159-60, 192, 184-86, 2-8, and 211; and 40]. These capitalists noted that farm loans and land would complement the other ventures in the grain trade and railways and that abnormally high interest rates and rising land values rode the tide of settlement into Dakota [24 and 41]. At this point British land-mortgage firms initiated investments in the territory.

Between 1877 and 1910 at least 12 Scottish companies⁴ invested in farm mortgages and land in the Dakotas (see the table), with five firms operating solely in South Dakota, three only in North Dakota, and four in both states. One of the enterprises began operation in the 1870s, seven in the 1880s, two in the 1890s, and two in the 1900s.

The Scottish companies employed a variety of investment strategies. For instance, geographic diffusion of investments occurred in one of three ways. The first group of firms expanded operations into Dakota between 1877 and 1884 after overflowing their original loan fields in other regions.⁵ The Dundee Mortgage Trust & Investment Company, Ltd., the Dundee Land Investment Company, Ltd., and the Oregon Mortgage Company, Ltd. came from Oregon, and the Scottish American Mortgage Company, Ltd. from Illinois. Other firms expanded into the territory from adjoining states in the Middle West through 1901. The American Mortgage Company of Scotland, Ltd., the Edinburgh North American Investment Company, Ltd., the Investors' Mortgage Security Company, Ltd., and the West of Scotland American Investment Company, Ltd., constituted this group. A third group of firms initially invested in Dakota and some of these, such as Western Ranches and Investment Company, Ltd., subsequently expanded into other states. However, the Park Red River Valley Land Company, Ltd., never did expand beyond its original site in Cass County, North Dakota. Several livestock firms, such as Western Ranches, Ltd., owned small acreages in western South Dakota and squatted on or leased their remaining range lands there and in other states.

PRELIMINARY "LOWER-LIMIT" ESTIMATE OF BRITISH FUNDS INVESTED IN SOUTH DAKOTA AND NORTH DAKOTA FARM MORTGAGES AND LAND IN 1890^a AND AVERAGE DIVIDENDS RECEIVED OVER VARIOUS PERIODS OF TIME

	South Dakota mortgages	North Dakota mortgages	South Dakota Land ^b (Acres)	North Dakota Land ^b (Acres)	Average dividend (percent)
Scottish firms					
(1) Dundee Mtg Trust & Invest Co. (ca.1877-95)	\$ 30,000 ^c	-- ^d	640 ^c	--	9.9
(2) Scottish Amer Mtg Co. Edinburgh (1880-1945)	251,550 ^c	\$ 25,000 ^c	8,625 ^c	4,625 ^c	10.5
(3) Edinburgh Amer Land Mtg Co. (1881-1910)	277,025 ^c	15,000 ^c	3,750 ^c	875 ^c	6.5
(4) Dundee Land Invest Co. (ca.1881-91)	0	--	0	--	5.3
(5) American Mtg Co. of Scotland Edinburgh (ca.1881-87)	0	--	0	--	0.26
(6) Western Ranches Edinburgh (1884-1910)	--	--	160	--	11.2
(7) Oregon Mtg Co. Edinburgh (1884-90)	--	0	--	0	7.2
(8) Park Red River Valley Land Co. Edinburgh (1885-95)	--	--	--	7,360	0
(9) Edinburgh North Amer Invest Co. (1896-1921)	0	0	0	0	8.6
(10) Investor's Mtg Security Co. Edinburgh (1898-ca.1920)	0	0	0	0	6.9
(11) West of Scotland Amer Invest Co. Glasgow (1901-ca.1920)	--	0	--	--	7.06
(12) Western Ranches & Invest Co. Edinburgh (1910-20)	0	--	0	--	9.2
	\$ 558,575 ^c	\$ 40,000 ^c	16,175 ^c	16,761 ^e	6.9 av.
English firms					
(13) British & Amer Mtg Co. London (ca.1877-93)	50,000 ^c	--	1,280 ^c	--	6.5
(14) Colonial & US Mtg Co. Hull (1880-ca.1910)	322,510 ^c	138,220 ^c	22,900 ^c	6,870 ^c	7.7
(15) Amer Freehold-Land Mtg Co. London (1880-ca.1900)	297,300 ^c	396,400 ^c	7,375 ^c	6,634 ^c	6.3
(16) Manitoba Mtg & Invest Co. London (1881-1910)	336,300 ^c	--	16,150 ^c	--	2.2
(17) Richard Sykes Estate Manchester (1881-ca.1910)	--	n.a.	--	62,000	n.a.
(18) North Amer Land Assoc London (1882-ca.1910)	--	0	--	43,136	n.a.
(19) Dakota Stock & Grazing Co. London (1883-99)	--	--	160	--	0.4
(20) Home & For Invest & Agency Co. Norwich (ca.1882-1900)	45,000 ^c	--	0	--	4.8
(21) Close Brothers & Co. London (ca.1884-1920)	n.a.	n.a.	n.a.	n.a.	n.a.
(22) Farmland Mtg & Debenture Co. Ia. (1888-1920)	200,000 ^c	--	0	--	10.9
(23) Iowa Land Co. London (1884-1953)	300,000 ^c	0	2,500 ^c	0	3.5
(24) Canadian & Amer Mtg & Trust Co. Liverpool (ca.1884-1910)	200,900 ^c	200,900 ^c	640 ^c	640 ^c	5.2
(25) London & North-West Amer Mtg Co. (1887-ca.1897)	233,800 ^c	100,000 ^c	--	0	3.8
(26) United Trust Liverpool (1889-1905)	--	233,800 ^c	0	0	3.9
(27) Alliance Mtg & Invest Co. Manchester (1890-1921)	--	145,800 ^c	--	0	6.3
(28) Amer & Genl Mtg & Inv Corp. London (1890-1910)	44,000 ^c	--	--	0	2.7
(29) American Mtg Trust London (1890-98)	97,800 ^c	--	0	--	2.8
(30) British Amer Invest Co. London (1892-99)	0	0	0	0	n.a.

PRELIMINARY "LOWER-LIMIT" ESTIMATE OF BRITISH FUNDS INVESTED IN SOUTH DAKOTA AND NORTH DAKOTA FARM MORTGAGES AND LAND IN 1890^a AND AVERAGE DIVIDENDS RECEIVED OVER VARIOUS PERIODS OF TIME (continued)

	South Dakota mortgages	North Dakota mortgages	South Dakota Land ^b (Acres)	North Dakota Land ^b (Acres)	Average dividend (percent)
(31) Farm & Colonization Co. London (1893-1903)	0	--	0	--	n.a.
(32) Union Land Co. Manchester (1895-?)	--	n.a.	--	n.a.	n.a.
(33) Farmers Trust Co. Manchester (?-1898-?)	--	n.a.	--	n.a.	n.a.
	\$2,127,610 ^c	\$1,215,120 ^c	51,485 ^f	122,280 ^f	4.8 av.
American firms					
(34) J. B. Watkins Land Mtg Co. Lawrence, Kan. (1881)	0	0	--	--	n.a.
(35) Massachusetts Trust Co. Devils Lake, N.D. (1884-?)	--	n.a.	n.a.	n.a.	n.a.
(36) Lombard Invest Co. Boston (1889-ca.1905)	80,000 ^c	--	--	--	n.a.
(37) Amer Invest Co. Emmetsburg, Ia. (1889-ca.1905)	510,150 ^c	--	4,200 ^c	--	n.a.
(38) Western Farm Mtg Trust Co. Kan. (1889-94)	300,000 ^c	245,000 ^c	--	--	n.a.
(39) Dakota Loan & Trust Co. Watertown, S.D. (1889-ca.1900)	607,500 ^c	607,500 ^c	--	--	n.a.
(40) Security Mtg & Trust Co. Pierre, S.D. (1889-?)	25,000 ^c	--	--	--	n.a.
(41) Fidelity Loan & Trust Co. Sioux City, Ia. (1890-ca.1910)	50,000 ^c	--	--	--	n.a.
(42) North Amer Loan & Trust Co. Chicago, Ill. (1891-ca.1908)	0	--	--	--	n.a.
(43) New England Mtg Security Co. Boston, Mass. (ca.1890-1907)	9,000 ^c	9,000 ^c	--	--	n.a.
Subtotal	\$1,581,650 ^c	\$ 861,500 ^c	4,200	n.a.	n.a.
Grand total ^g	\$4,267,835 ^c	\$2,116,620 ^c	68,860 ^c	138,914 ^c	6.3 av.

Source: See [3].

^aNo aggregate figures for farm loans in the West North Central states are available for any year past 1890 until 1910.

^bAcres estimates include both purchased and foreclosed lands.

^cEstimate.

^dDash indicates that firm never had investment in state. Zero indicates investment before or after 1890.

^eNorth Dakota estimate includes John S. Sinclair's 3,040-acre farm and Courts Majoribank's 1,200-acre ranch.

^fSouth Dakota total includes 320 acres of Anglo-American Cattle Company (London) and 160 acres of Standard Cattle Company, and North Dakota total includes Edmund H. Thursby's 3,000-acre ranch.

^gColumn totals do not add exactly due to rounding.

n.a. Not available.

In terms of geographic areas of operation four variants emerged. Six companies developed multiregional (Middle West, South, Pacific Coast) investment strategies, two were interregional (Middle West and South), three were regional, and one was local. All 12 firms' investments were opportunistic with immediate profits as the goal rather than of a developmental type where returns were anticipated only after direct subsidization of local resource development.

The locational pattern of Scottish farm loans in Dakota initially developed in the valleys of the Missouri, Big Sioux, James, and Red rivers. In these districts loan agencies were maintained in the principal county seats and transportation centers, such as Yankton, Sioux Falls, Aberdeen, and Fargo. As additional firms entered the competition for business new loans were granted farther west and away from the river valleys. The Scottish companies, however, carefully dispersed their loans, granting credit only to those farmers who seemed to be preferred risks. The aliens severely restricted the number of loans in the Red River Valley because credit on specialized wheat farms and inflated land values in the Fargo district were perceived as very risky. For example, in 1887 the Scottish American Mortgage Company had 9.2 percent of its total loans in South Dakota and only 0.63 percent in North Dakota, and the Edinburgh American Land Mortgage Company also employed this policy. Collectively, in 1890 the 12 firms had outstanding loans of an estimated \$558,575 in South Dakota and \$40,000 in North Dakota (see the table).

Not even dispersion of mortgages within and among loan districts prevented the failure of some loans. A series of droughts began in the mid-1880s and continued through the 1890s, severely reducing crop yields. Moreover, wheat prices fluctuated wildly and frequently dropped to very low levels during the period. In this crisis even efficient farmers suffered from reduced income and from growing difficulty in making debt payments. In 1890 almost all of the small landholdings (an estimated 16,015 acres in South Dakota and 5,161 in North Dakota) belonging to Scottish firms were foreclosed farms, with this amount rising later in that decade. Thus, the dispersion policy minimized unwanted land acquisitions during a depression when many American mortgage companies went bankrupt after concentrating too many loans in the drought areas.

In their efforts to maximize returns by allocating funds among loan districts with the highest rates, the Scottish firms experimented with several organizational structures. Some of the oldest firms, such as the Scottish American Mortgage Company and Edinburgh American Land Mortgage Company, initially employed an American board of directors or an American banking firm to oversee investments in the US. These arrangements, however, proved to be expensive and redundant and were quickly replaced by decentralized agency systems in the loan districts. The firms employed a

traveling inspector, a fellow Scot with experience in the business, to visit the agents and to report directly to the home offices in Scottish cities. This agency-inspector structure worked very well and all of the firms used it. After falling rates in the Middle West left only widely scattered loans there, the firms retained only a few large agencies and created central offices (manned by trusted Scots) from which other loans in the region were serviced. Beginning in 1896, George N. Forman and Company of Chicago performed this function for the Edinburgh American Land Mortgage Company and in 1897 the Scottish American Mortgage Company opened its own central office shared with other British firms in Kansas City.

The most important reason for the eventual withdrawal of these firms from the Middle West was the decline in interest rates there in relation to higher rates in the South and Far West. One of the firms left the Dakotas in the 1880s, four in the 1890s, two more by 1910, four in the early 1920s, and one in 1945. Other less important factors in this disinvestment process were fear of adverse effects from concentration of many British firms in South-eastern Dakota, the federal antialien land law of 1887 [18, ch. 4] drought and depression, refusal to lend in the western half of the states because of climate, British governmental restrictions on overseas investments during World War I, new high-yield ventures in the UK after 1918 [9, pp. 1003-1005], and attractive offers from US firms to purchase remaining assets.

In return for the investments previously described the 12 Scottish firms paid an average dividend of 6.9 percent to shareholders (see the table). However, there was a wide variation in the capital efficiency of the individual companies, with the Park Red River Valley firm returning no dividends, the Investor's Mortgage Security Company paying the group average, and the Western Ranches livestock firm returning an impressive 11.2 percent (only some of which was earned in Dakota). Prior to the early 1900s midwestern loans accounted for significant portions of total earnings for the companies. However, as the firms increasingly transferred funds to other regions, remaining investments with progressively lower yields accounted for much smaller portions of the earnings leading to dividends.

English corporations constituted a second category of institutions relevant to this study. Between 1877 and 1898 at least 21 (see the table) of these firms invested in farm mortgages and land in the Dakotas, with seven operating in South Dakota, seven in North Dakota, and seven in both states. One of the companies began investing in the 1870s, thirteen in the 1880s, and seven in the 1890s.

There are several differences between the English firms' investment strategies and those of the Scots. In regard to geographic diffusion of investments none of the English firms belatedly entered the Middle West from other regions. Instead, the

largest group, 10 of the enterprises, began careers on the Middle Border between 1877 and 1887. For instance, in 1882 the Home and Foreign Investment and Agency Company, Ltd. began farm loans in southern Dakota and nearby states. Formed during the zenith of the midwestern land-settlement boom these firms naturally located there. A much smaller second group, the American Freehold-Land Mortgage Company, Ltd. and the American and General Mortgage and Investment Corporation, Ltd., in 1880 and 1890 operated simultaneously in two or more regions from the outset of their careers because of the superior nature of their information systems. However, a third group of four firms did match the Scottish pattern of expansion from neighboring states into Dakota. For example, Close Brothers and Company and the Iowa Land Company, Ltd. entered the territory from Iowa in 1884. Also like the Scots, a final group of five firms retained a local focus of investment over the years. One of these, the Alliance Mortgage and Investment Company, Ltd., restricted all loans to the Red River Valley area.

In terms of geographic areas of operation the usual four variants occurred. Four English companies developed multiregional investment strategies, four were interregional, eight were regional, and as previously mentioned, five were of a local nature. The investments of 19 of these firms clearly belong in the opportunistic category. Only the Richard Sykes Estate and the North American Land Association, Ltd. were of a developmental nature. These two firms attempted to attract settlers to lands in the James River Valley of North Dakota by founding two towns and providing each new farm with a house and improvements.

Like the Scots, the English mortgage companies initially granted loans to farmers near the local river valleys, oversaw investments from the same strategic towns, and expanded westward when the competition for debtors increased. Unlike the Scots, however, the English creditors developed a higher density of loans and thus were less concerned with the strategy of dispersion. Moreover, they seemed less worried about the risky nature of loans in the northern part of the territory, although South Dakota again was much the favored investment area. The Colonial and United States Mortgage Company, Ltd. probably illustrates the attitude of a number of the firms on this point. An estimated 14 percent of this firm's loans were in South Dakota with perhaps 6 percent in North Dakota in 1890. Collectively, in that year the English firms had an estimated \$2.1 million in South Dakota and about \$1.2 million in the other state (see the table). This higher concentration of loans inevitably brought more foreclosures during the drought and depression years than was the case with the Scots. In 1890 the English companies held an estimated 50,845 acres of foreclosed lands in South Dakota and perhaps 17,154 acres in the other state, with this acreage increasing later in the decade. As a group, then, the English firms also appear to have carefully

selected their loans and were not troubled by exorbitant levels of foreclosures in the late 19th century.

The organizational structures of the English firms were similar in form and trend to those of the Scots, with some exceptions. Initially, some of the English companies employed an American firm to process mortgage applications and supervise agencies. The American Freehold-Land Mortgage Company, for example, retained the Corbin Banking Company (New York) in this capacity during the early 1880s. As before, however, this practice was quickly abandoned, and the agency-inspector system emerged as the norm. In fact, the English and Scots nearly always used the same agents in the Middle West and occasionally employed the same traveling inspectors. The English also developed firms which specialized in managing investments of the land-mortgage companies. Close Brothers and Company (London) was the first of these. Besides directing its own investments the firm served as American manager for the Iowa Land Company (1881-84), the Farmland Mortgage and Debenture Company (1888-97), and the Mortgage and Debenture Company, Ltd. (1897-1920). Beginning in 1885 the Close firm conducted its affairs from a central office in Chicago. A second firm, C. W. Benson and Company, became American manager for the Iowa Land Company (1884-1940) and the Trust and Mortgage Company of Iowa, Ltd. (1889-1940). In 1899 the Benson firm began a long residence at its central office in Saint Paul, Minnesota. Most of the English loan companies, however, clung to the agency system and were less inclined to open their own central offices than were the Scots.

The same reasons that caused the Scots' withdrawal also propelled English funds out of the Middle West into the South, Far West, and back to Britain. Five of the firms left the Dakotas in the 1890s, twelve more by 1910, three in the early 1920s, and one in 1953. Over the years English shareholders in the 21 firms earned an average dividend of 4.8 percent (see the table). As before, returns fluctuated widely among the companies, with the Farmland Mortgage and Debenture Company paying the highest return of 10.9 percent, the Home and Foreign Investment and Agency Company paying the group average, the Manitoba Mortgage and Investment Company paying only 2.2 percent, and several of the small local firms paying little or nothing. The English paid lower dividends than the Scots because the former tended to focus investments too exclusively in the Middle West after rates had declined there compared with other regions. As already mentioned, five firms were entirely local. Moreover, the Scots enjoyed a superior system of business information channeled through interlocking directorates drawn from the closely knit business communities in their relatively small cities. In both groups, however, company management was not yet separated from ownership.

British capitalists not only used their own firms for direct investment in American agriculture. They also placed funds

indirectly through American companies which maintained offices and agents in the UK for the sale of mortgages, debentures, and stocks. After failing to obtain sufficient funds from US investor clients these companies sought additional money in Britain. At least 10 American firms (see the table) channeled British funds into the Dakotas between 1881 and 1900, with seven commencing in the 1880s and three in the early 1890s. One firm operated in North Dakota, five in South Dakota, and four in both states. By 1890 the 10 firms had placed an estimated \$1.5 million from abroad in current farm loans in South Dakota and \$861,500 in North Dakota, with the amount increasing later in the decade. Thus, as with the Scots and English, the history of these US firms was a supply response to the demands of frontier farmers for land credit.

The companies either originated in Dakota or entered the territory from nearby states. Most of the firms remained exclusively midwestern enterprises, three with local and three with regional investments. Only two were interregional and the last two multiregional in their geographic investment strategies. All 10 firms' investments were opportunistic in nature. The firms' organizational structures employed the agency-inspector system, as had the British firms. An exception was the Lombard Investment Company, the largest loan firm in the US, with a central office of 12 departments in Kansas City, Missouri, and many branch offices overseeing agencies in the Middle West, South, and Far West [7, 28 December 1889, p. 848]. In London, Edinburgh, and other British cities all 10 firms opened branch offices and retained agents to sell debentures with four-to-seven-year terms and 4 to 6 percent interest, or guaranteed farm mortgages bearing 6 percent or more. Prior to the 1893 depression these securities were popular with British rentier investors because of the attractive yields and allegedly low risks as compared with alternative domestic investments [15]. Many of the US loan firms paid dividends of 6 to 10 percent to stockholders prior to 1893.

However, during the 1890s probably all 10 companies suffered severe financial problems or failure and may have typified nearly 200 US mortgage firms which failed during that decade [7, 22 April 1899, p. 749]. Apparently these enterprises employed careless agents, concentrated loans in the drought and wheat-growing areas of the Plains, overvalued and overloaned on too many farms subsequently abandoned, guaranteed mortgages to investor clients, and borrowed excessively against their assets [2, 27 February 1892, p. 76; and 17]. By avoiding these practices British firms earned an average return of 6.3 percent on equity. This compares with a 5.4 percent average which they might have earned on US industrial common stock at that time (1880-1905) [14, p. 656]. These findings support Michael Edelstein's view [9] that British capital movements overseas sought investments yielding high returns for given risks.

Of 53 firms surveyed 26 were active in Dakota land credit

during the 1880s, with 27 investing there into the 1890s. Clearly these companies helped to finance the Dakota settlement boom of that era and their continued presence provided a countercyclical check during the 1893 depression. The most active decade of British disinvestment, ending in 1911, saw the withdrawal of 20 firms. This decline is partly explained by expanded competition engendered by the arrival of a new generation of banks and loan companies during the postdepression boom. For instance, a number of them located in Fargo [26, January 1903; and 23]. Additional insurance companies also entered the area [35], with the Northwestern Mutual Life Insurance Company entering North Dakota in 1907 [39, pp. 122, 179, and 184]. Seven more British firms left by the early 1920s and the last two in 1945 and 1953. While generally supporting Lance E. Davis's view [8] of persistent imperfection in the midwestern capital market, these findings suggest that this market may have resumed its maturation earlier than the post-1914 era, and that British credit was more important than previously thought in the absentee part of the market.

How significant was British investment in the Dakotas? Using 1890 as a sample year, I estimate that foreign funds financed at least 14.5 percent of outstanding farm mortgages in South Dakota and 9.6 percent in North Dakota.⁶ These figures compare with a 1 percent estimate for Iowa and 2 percent for Kansas [21, p. 196], just under 3 percent for Missouri [23], and about 4 percent for Minnesota [22]. Thus my hypothesis is confirmed that British firms should have placed more funds in the Dakotas than elsewhere in the West North Central region. British land holdings in 1890 are estimated to be 0.6 percent in South Dakota and 1.8 percent in North Dakota⁷ as compared with over 1 percent of farm acreage in Missouri and 0.06 percent in Minnesota. (Calculations for remaining states are incomplete.) In every case these acreage figures fail to indicate a significant trend toward alien ownership of rural land [13, p. 112].

British investors made important contributions to rising efficiency in the farm sectors of the Dakotas by providing about 10 to 15 percent of the mortgage credit during a crucial era of boom, bust, and transition, by providing credit to the more productive farmers, by paying taxes and hiring local realtors, and by promoting expansion of a rural population and hinterland market which encouraged the growth of cities and manufacturing [11, p. 150]. Future research will doubtless further clarify the place of foreign investment in American agriculture.

NOTES

*I am grateful to Harold F. Williamson for helpful suggestions regarding revision of this essay for publication.

1. Allan Bogue [4] has written an excellent progress report

of research completed and yet to be done on this topic. See especially pp. 68-70 and 79-100.

2. The extant literature neglects or distorts the topic of foreign capital in Dakota agriculture. The radical journalist William H. Harvey [13, p. 112] believed that aliens owned about half of South Dakota's and 8 percent of North Dakota's land by 1895. Herbert S. Schell mentions alien ranching investment [30, pp. 123, 172, 243-47, and 251], but others ignore British investments [19; 20; and 29]. Roger V. Clements asserts that there were only a "few instances of British [investment] activity" [5, p. 220]. Paul M. Edwards states that this investment was very important, but that "In 1886 most of the major joint-stock investment companies withdrew land loans and investment purchases" [10, pp. 180-81 and 186]. He concludes that Britons placed about 300,000 English pounds there in land speculation. W. Turrentine Jackson [18], however, carefully cites a number of Scottish investments in both states, but makes no effort to study English or American firms.

3. South Dakota had 236 banks in 1889, 207 in 1900, 631 in 1911, and 704 in 1920. North Dakota had 100 banks in 1889, 155 in 1900, 707 in 1911, and 898 in 1920.

4. Undoubtedly, additional Scottish, English, and US firms engaged in the land-mortgage business. I would be grateful to receive information about any such company.

5. Records for firms 1-12 (see the table for company names) are in those firms' offices and Scottish Record Office, Edinburgh. Records for firms 13-43 are in London at the Stock Exchange, Public Record Office, and Companies Registration Office. See also [3; 18; 25; 27; 34; and 36-38]. Citation of each firm's records has been omitted because of space limitations.

6. The estimate for British funds in South Dakota farm mortgages in 1890 is \$4.3 million (see the table). This figure is divided by \$29.4 million [28, p. 95] -- the total amount of land loans in force that year in the state, yielding a quotient of 0.1453. For North Dakota the estimate of \$2.1 million is divided by total loans on acres of \$22.0 million, yielding a quotient of 0.0957.

7. For 1890 the British estimate of 68,860 acres (see the table) is divided by total farm acreage in South Dakota of 11.4 million yielding a quotient of 0.0060. In North Dakota the estimate of 138,941 acres is divided by total farm acreage of 6.7 million, yielding a quotient of 0.0181.

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