# BUSINESS SUCCESS AND FAILURE: CANADA AND JAPAN

## THE FAILURE OF BRITISH BUSINESS IN CANADA, 1890-1914*

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### I

Economic and business historians in recent years have devoted much effort to understanding the process of foreign direct investment. Reflecting the current preoccupation with the economic, social and political consequences of an alien ownership of industry this interest has been nowhere more acute than in Canada.[1] Isolating the roots of the American corporate presence in Canada has, however, revealed some serious omissions in the study of Canadian economic history. First, there is little in the nature of quantitative evidence for the years prior to 1926 which supports the analyses of foreign direct investment. Second, no systematic attempt has been made to explain why Canada's major source of capital imports, Great Britain, failed to establish a lasting business involvement. The intent of this study is to examine some of the characteristics of those British firms which became active in Canada during the period 1890-1914 in order to explain the subsequent failure of British business to survive as a force in the Canadian economy.

In the year of Canadian Confederation, 1867, the major foreign business presence, naturally enough, was that of the recently departed colonial power, Great Britian. Expansion into the prairies had not yet begun and the Hudson's Bay Company still directed its huge suzerainty in Western Canada from a London head office. In the settled east the population of approximately three million was served by the transportation facilities revolving around the English controlled Grand Trunk Railway. Land companies such as the Canada Company and the British American Land Company influenced settlement patterns in Ontario and Quebec respectively. Two of the major banks were British as well as a large trust and loan company. Although the royal monopoly in Nova Scotian coal mining had been surrendered in 1856, the General Mining Association of London dominated the industry. Similarly, on the west

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coast in British Columbia, which was to remain a colony for five more years, coal shipments to San Francisco were largely from the British controlled Vancouver Island Coal Mining Company.[2] Although enterprises such as the Hudson's Bay Company so permeate Canadian history that they almost assume a Canadian identity, in every respect they conform to the present day definition of foreign direct investments.*

For the years prior to 1926 there are no reliable estimates of the extent and composition of foreign direct investment in Canada.[3] In that year, 78.7% of the value of all corporate assets in Canada held by non-residents was controlled by Americans and only 18.9% was British controlled. (In absolute terms this amounted to $1,403 million and $336 million respectively.)[4] Increases in United States business participation in the domestic economy masked the slow growth in the absolute level of British direct investment. Prior to the First World War this was noticeable in only a few sectors such as manufacturing. After the war it was obvious in all areas of business activity.[5] This realization was succinctly stated by a government publication of 1922 which attempted to rekindle British corporate interest in Canadian manufacturing. It noted that viewing the increased industrial growth "contains within it a certain regret for Canadian perhaps only now commencing to be felt; it is that manufacturers of the United Kingdom are taking so little part in the industrial development of the country".[6]

The failure of British business to establish a lasting presence in Canada was a phenomenon produced by a complex set of causes. Analyses of the efficiency of both British and Canadian capital markets has aided in explaining why the massive capital flow between the two countries was characterized by a high level of portfolio to direct investment (sometimes expressed as a high debt to equity ratio).[7] To view this foreign direct investment as business history is to subsume many of these arguments about the causal relationships governing the flow of international capital in the twenty-five years prior to 1914. Nevertheless, such an inquiry may provide some limited insights into why the capital markets channelled financial capital in the form and direction observed. The failure of the British business presence in Canada to persist, however, requires further precision. Consequently, this study will examine three aspects of that failure. First, attention will be directed to the case of the British mining companies in Canada. In this sector British businesses achieved a poor profitability record and this, in turn, led to both the pre-1914 firms being short-lived and the failure of new investment to materialize, especially in the post-war years. Second, although businesses, either in indiviudal or aggregate terms, achieve profitability they may contain features

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*A foreign direct investment is any corporate enterprise which is effectively controlled by non-residents. Although effective control has usually been accompanied, in an historical context, with legal control it can be associated with a minority of foreign-held voting equities.

TABLE I

NEW SHARE ISSUES OF BRITISH MINING COMPANIES
ACTIVE IN CANADA FOR SELECTED PERIODS, $000's

| Period | New Shares Issued (Market Value) | Cash Subscriptions* |
|---|---|---|
| 1890/94 | 6,226.3 | 2,351.8 |
| 1895/99 | 62,468.2 | 39,437.1 |
| 1900/04 | 38,028.3 | 24,514.8 |
| 1905/09 | 12,255.6 | 7,899.2 |
| 1910/14 | 41,822.4 | 29,443.5 |

Calculated from records at the Public Record Office, (P.R.O.) London, the Companies Registration Office, (C.R.O.) London, and the Office of the Registrar of Scottish Companies, (O.R.S.C.) Edinburgh.

*Includes premiums and discounts.

Yet, the following year, three British companies raised over £246,500 for the same purpose. One of these companies, the Mikado Gold Mining Company Limited at Lake of the Woods, built a twenty stamp mill which began crushing ore in August 1897 and although the company survived to 1915, after adding a cyanide processing mill in 1907, it had a very poor record of profits.[13] Other companies, such as the Seine River (Ontario) Gold Mines Limited, had much shorter lives. During the years from 1895 to 1899 new investment in this area grew each year. As late as 1899 large mines were still being acquired despite the continued warnings of the low gold content of ores, despite the poor record of dividend payments from this area, and despite the alternative opportunities for gold mining in British Columbia and the Yukon.[14]

Similarly, in British Columbia there is evidence to suggest that new British direct investment in mining was not as responsive to changes in mineral output as domestic and other foreign capital. During the last few months of 1895, when mining activity in British Columbia first began to rapidly increase, fifty-two domestic mining companies, thirty-five United States' companies, and only two British companies registered to carry on mining activities in the province. Neither of these firms were larger than average nor were they apparently less specialized in their mining concerns.[15] British investment in British Columbia became significant only after 1896 and remained the main centre of British mining activities in Canada until after 1910.

The rapidity with which initial investment took place in the Yukon, when the Klondike burst upon the scene in 1897, almost entirely excluded British investment simply because of distance and communications. It was not until the third quarter of 1897 that the first substantial number of British companies were registered, in London, to mine in the Klondike. But the seasonality of mining in this area meant that few British firms were active in the region before the late spring of 1898. By this time United States' interest interest was dominant.[16] Similarly, in Ontario British mining companies were never among the first into the new mining fields.

The Canadian experience prior to 1914 suggests that British investors attempted to avoid the impact of the risk associated with mining exploration and development. By buying existing mineral claims and developed properties or mines an attempt was made to minimize this risk. Original prospecting and early development of mineral claims was usually carried out by Canadians and by American direct investors. Few British companies engaged in exploration.[17] "British engineers are not prospecting".[18] Rather, the British companies bought from vendors the mineral rights. This tendency is as evident in coal as it was in gold mining. The Yuneman Gold Fields Limited, when registered in 1902, was empowered to acquire mines, lands and mining rights but was not seemingly empowered to explore for minerals. This company finally bought eight mining claims from a British Columbia promoter.[19] The majority of British companies bought their mineral claims from Canadian or American companies or individuals. Even where it appears that a British company had bought its rights from its own "development agency" - or a British promoter - the names of the specific mining claims often betray the original developer and prove the British agency an intermediary.[20]

There is probably no simple explanation as to why British firms seemed to prefer to invest in developed mining claims. Part of the reason must rest on the intense activity of the Canadian and American development mining companies. Small companies with virtually no physical capital could be created and register claims before any British entrepreneurs were aware of the new mining area. Part of the explanation can also be sought in the poor technical advice and technical services offered to British firms and the growing conservatism of the London market for mining capital. The period 1890-1914 witnessed the eclipse of the single entrepreneur and the concentration of more mining company formation in the hands of the large financial houses. These houses preferred developed properties where the "present value" could be calculated more easily.[21]

If, as is claimed, the risk of undeveloped properties was avoided, the full explanation must be sought in the ability to estimate the stream of benefits of the resource claim acquired. Turrentine-Jackson claims that in the western American mining areas, in the 1890s, "the English worked systematically, employing the services of the best equipped experts in the world to conduct painstaking investigations."[22] This, if true, contradicts the characteristics of the British companies in the Canadian mining areas. Almost unanimously the Canadian mining press berated the British investments for employing inexperienced mining engineers and inexperienced mine managers.[23] Often the survey conducted for the British firm was done by a mining engineer out from the Rand or Rhodesia to analyze the complex ore deposits of British Columbia.[24] There were obvious exceptions. Typically, while noting the re-opening of the "Old Bruce Mines" in Ontario, an editorial in a mining journal specifically approved of the combination of "English capital and an American mining engineer".[25]

The British technical expertise in foreign mining had been gained in the traditional areas of British mining enterprise such as South Africa, Rhodesia, and Australia. When confronted with the new Canadian mining fields which so often contained complex ore deposits a poor quality of technical advice resulted. Often profitable opportunities were overlooked when mining sites were evaluated as worthless by British engineers. Many sites subsequently proved to be the basis of a profitable operation in the hands of Canadian or United States mining companies.[26] The poor record of profitability illustrates the overly optimistic technical evaluations which led many of the British mining companies to too highly evaluate the potential of the mineral claims. This resulted in British companies paying prices for mining claims at inflated levels, which invariably ensured that they could not achieve profitability. Consequently, the proximate causes of British business failures in this sector appear linked to the nature of the corporate structure. Three distinct weaknesses can be isolated.

First, during the mining booms many companies ran into immediate difficulties as a result of the inadequate provision for working capital. Current receipts from the sale of mineral output seldomly matched expectations and these firms quickly found themselves either unable to carry on normal operations or facing the demands of creditors for the payment of current debts. Voluntary or compulsory liquidation usually followed. The Hardie Cinnibar Mines Limited, founded in 1901 to mine gold and cinnibar in British Columbia was forced to suspend operations in 1903 when it was faced with a lack of working capital. The company then drifted into a period of permanent inactivity, and was liquidated by being struck-off the list of registered companies.[27]

Second, British mining companies often exacerbated the problem of a shortage of working capital by the excessive use of fixed-interest debt to provide both working capital and the funds for capital expenditures. It is interesting to note that this weakness is also found in many of the other types of British business in Canada including the railroads. Even before the fall in phosphate prices in 1893 the General Phosphate Corporation Limited, which operated in the Province of Quebec, was forced by the debenture holders to surrender control of the company to debenture trustees. (The company had floated a £100,000 issue of first mortgage debentures in 1890.) Finally, after repeatedly failing to meet the interest payments, the debenture holders failed to pass the company's accounts in January 1893. The Court liquidator noted of the company:

> The failure of the company was attributed to insufficiency of working capital and to the fall in the phosphate market. It would appear that the failure is also due to the manner in which the company was financed in 1891....[28]

Many of the British direct investments in Canadian mining found themselves suddenly with relatively worthless assets as mines failed to produce the quality or quantity of ore expected of them. Only some of the larger nonferrous metal and coal mining companies followed a policy of reinvestment in new mines. The others which included most of the smaller firms in the mining sector did not make any use of depletion accounts in order to reinvest. Of course, many of the British mining companies, especially in the gold mining section of the sector, were formed only to exploit one particular mine, capture quick profits and then liquidate. The companies were liquidated as soon as the mine was depleted and had no market value. In April 1910, the following letter was received by the Registrar of Joint-Stock Companies in London:

> Dear Sir:
>
> I beg to acknowledge the receipt of your circular letter of the 6th. inst. asking for a return of the Alice Broughton Mining Company Limited, No. 79637.
>
> Unfortunately, this company ceased operations and work was suspended at the Mine, situated in British Columbia, in the year 1905, since which efforts have been made to sell the Mine, but so far without success. When a sale is effected the Company will be wound up properly.[29]

TABLE II

NEW SHARE ISSUES OF BRITISH REAL ESTATE AND ALLIED FINANCIAL COMPANIES ACTIVE IN CANADA FOR SELECTED PERIODS, $000's

| Period | New Shares Issued (Market Value) | Cash Subscriptions* |
|---|---|---|
| 1890/94 | 3,103.6 | 3,103.6 |
| 1895/99 | 1,098.4 | 1,059.5 |
| 1900/04 | 527.0 | 527.0 |
| 1905/09 | 7,916.4 | 5,879.3 |
| 1910/14 | 42,604.4 | 37,653.1 |

See Table I

*Includes premiums and discounts.

Having distributed its cash balances between the seven shareholders, the company subsequently requested that it be struck off the register as it had "no funds, no assets".[30] Apparently the value of the assets (the mine) was worth less than the trouble of keeping the company registered.

III

Throughout the period 1890-1914 there was a close similarity between the patterns of British direct investment in Canadian real estate and in the financial sector. The majority of British financial enterprises were in the business of extending land mortgages and property loans. Both types of British firms concentrated their activities in western Canada. Not surprisingly, the rates of new company formation of both types of firms were similar and particularly high over the years 1907-1913. Unlike the British mining companies in Canada, the British real estate and financial enterprises achieved individual and aggregate profitability.[31]

Investments by British companies in both land and finance were linked through a common response to the wheat boom, the increasing land prices and the necessity of financing these through mortgages and loans. Yet, there were very few corporate, or personal, links between these two types of British direct investments.[32] The absence of such connections is underscored by the fact that 20 of the 57 British financial companies but only a few of the 123 British land enterprises were registered in Scotland. Nor, it may be noted, was the pattern of investment directly associated with the land sales of the Hudson's Bay Company, the largest single corporate holder of land in Canada, despite the fact that it was a British company. Nevertheless, the level of British corporate investment in land was closely associated with the level of investment in finance.

For the most part, the British real estate and mortgage loan ventures appear to have had short time horizons. Many of the land companies purchased blocks of real estate and simply sold the subdivided lots without making any further investments. To this extent the land companies resembled mining companies in that they depleted a fixed resource. That no reinvestment was contemplated was often evident in the methods of distributing profits. Companies simply accumulated profits and, with the prior agreement of the shareholders, returns of capital were made when the company was wound up. After disposing of its entire land holding in the years 1898 to 1902 the Qu'Apelle, Long Lake, and Saskatchewan Land Company distributed £270,000 to the holders of 147,910 shares (£1 par value).[33] Although fully cognisant of land prices when they were rising generally throughout Canada the British management of the companies showed reluctance to acquire further blocks of urban or rural real estate when prices were declining, stable, or when the increasing prices were restricted to a small region. The lack of knowledge of Canadian alternatives, other than when the economy was growing rapidly, is also evident in the asset portfolios of the financial companies. In 1913 when many mortgage and loan companies, domestic and British, were adjusting their assets to include fewer mortgages, the British companies often switched, not into Canadian bonds, but British bonds. The post-1918 balance sheets of many such enterprises reveal a once and for all readjustment away from Canadian assets of any type.[34]

Unlike their domestic counterparts the British financial companies involved in Canadian real estate, with only one exception, did not seek authority from the Federal Government to accept deposits from the Canadian public. Rather, they relied heavily on the sale of equities and, to a lesser extent, on the issue of fixed-interest debt to finance increases in assets. The result of this liability structure was that the British companies were only able to extend new mortgage loans when capital could be mobilized within Great Britain. Only during the booms in Canadian land prices, such as that of 1909 to 1913, was the British capital market well informed and willing to subscribe a large volume of financial capital to British companies involved in that sector. Indeed, British mortgage and loan companies were able to expand their liabilities at a faster pace than the domestically owned financial companies at this time. (The average annual rates of growth were 33.1% and 14.1% respectively over the years 1909 to 1913.)[35] This differential growth was almost solely attributable to the more ready access to British saving granted to the British businesses. Although the superior access to British savings allowed the British companies to experience rapid growth during the booms because this was the sole source of financial capital it constrained business activity at other times. The domestic companies with their deposit liabilities, which proved sensitive to changing business conditions, were able to exploit the upswings in mortgage rates much more rapidly than could the British companies as was evident in 1906 and 1908. (Deposits in the Canadian loan and mortgage companies averaged about 15% of total liabilities over the period 1890-1914.)[36] Even during the contractions in the Canadian economy aggregate deposits in the loan and mortgage companies, relative to the subscriptions of securities for investment in this sector on the British capital market, declined less rapidly. Consequently, the British companies were relatively inflexible compared to the domestic ones and could not so readily respond to changes in Canadian business conditions.

Although the British business enterprises which engaged in the issuing of mortgage loans were successful during the period 1890-1914 their complete reliance on the British capital market was a source of weakness. In the post-1913 years this weakness became apparent when the British economy was no longer in the position to maintain large exports of capital. Access to foreign savings may provide the foreign direct investor with an initial advantage over domestic enterprises but it is unlikely that this alone ensures permanence. Indeed, Canadian history amply demonstrates that the ability of foreigners to mobilize domestic savings is an important determinant of longevity (or success measured by survival).[37] An international flow of savings, unless accompanied by an international flow of entrepreneurship (or technology) is not a sufficient condition for establishing a lasting business presence. The ability (entrepreneurship) to mobilize domestic savings in the host regions was absent even in the nominally profitable case of British enterprise in Canada during the period 1890-1914.

IV

The absence of any substantial direct investment in manufacturing is a striking feature of British business behavior in Canada during the period 1890-1914. In this important respect it differed significantly from the American business penetration of Canada. Manufacturing firms had longer time horizons than many of the investments exploiting natural resources at this time and thus were more prepared to reinvest out of retained earnings. In turn, this helps to explain the persistence of American direct investment and the ephemeral quality of the British business presence. The vital question, however, still remains: why did the forces which attracted American branch plants not attract British branch plants? Stringent patent regulations, the high Canadian tariff adopted as part of the National Policy in 1879, tax inducements, as well as transportation cost barriers all acted as stimuli to the establishment of American branch plants.[38] The same forces, to a greater or lesser extent, were felt by British manufacturing firms which exported to Canada. The speedier response to these initial attractive forces on the part of the American firms was undoubtedly due to proximity of the two countries and relatively greater duration of the Depression of 1873 in Great Britain. Nevertheless, it is sufficient to note that the American response was to jump the tariff wall in order to expand their markets in Canada and that as a consequence the British market share must have declined.[39] If foreign manufacturing direct investment occurs as a response to tariff barriers and as a reaction to declining market shares[40] it is still to be expected that British manufacturers would establish plants which, from the point of view of Canada, would produce import-substitute goods.

Import-substituting investments are those which tend to reduce domestic imports (or the exports of the donor country in which the manufacturer is initially located). Such foreign direct investment usually takes place after the company in question has achieved a high volume of export sales in a foreign market. This market becomes the host area when an assembly or production plant is built.[41] The impetus to switch from exporting to production in the host may be, as noted, dictated by a tariff barrier or a desire to increase or defend a market share. In the host country imports are diminished by the new investment which supplants the original manufacturing firm. The pre-condition of such international corporate development is the establishment of marketing agencies and distribution facilities which ensure sales and later provide the basis for expansion into production activities.

One of the classic examples of this type of corporate expansion is that of the British glass manufacturing company, Pilkington Brothers. In 1890 the company established warehouses and sales agencies in

Montreal to expedite its sales in Canada. To cope with increasing Canadian sales, which grew from a value of £50,000 in 1890 to £237,00 in 1906, depots were opened in Toronto, Vancouver, Winnipeg and Calgary.[42] Progress to a Canadian branch plant followed in 1914 when Pilkington entered a patent sharing agreement with the American Window Glass Company. In order to protect its Canadian market share the patent had to be operated or fall void. At a cost of approximately $250,000 the company built a factory at Thorold, Ontario which employed the patented 'cylinder process' of manufacturing plate glass. The English plant's exports to Canada were immediately affected.[43] Although the model of foreign manufacturing business penetration is confirmed in the case of this company few other British enterprises had matured to branch plant status by the beginning of the First World War.

Prior to the turn of the century most British manufacturers exporting to Canada commissioned their exclusive marketing rights either to independent agents or Canadian companies and few physical facilities were established for holding inventories in Canada. Advertising, especially in the capital goods industries, often referred the potential Canadian purchaser to a British telegraph address. Such evidence suggests a lethargic sales effort and is consistent with the view that the British manufacturers were either unwilling to defend (or expand) their market shares in at least one foreign market. Yet such primitive marketing arrangements were not typical of the entire twenty-five years prior to 1914 and the subsequent changes demonstrate that the British firms were concerned with the further erosion of their Canadian market shares by domestic producers and American branch plants.[44]

A growing proportion of British manufacturers after 1900 abandoned the traditional marketing arrangements in Canada and replaced these with direct corporate participation.

> " ... we furnish the affidavit of Henry Bilbert Nobbs who is the Canadian and American manager for Holbrooks Limited (foodstuff manufacturer) on this continent. You will see that it is not the purpose of this company to manufacture at all but merely to have within the Province a centre for which this Company's goods may be sold."[45]

Increasingly through the immediate pre-war years British manufacturers registered in Canada with their own corporate identity. (Only rarely, however, did British companies create a Canadian subsidiary company, such as Debenham's (Canada) Limited, to supervise its Canadian activities.)[46] Most active in establishing the new sales outlets were the foodstuff, textile, and metal products manufacturers.[47] Along with the new corporate presence new emphasis was also paid to regular promotions in Canadian newspapers and journals. The 1908 edition of a major Canadian business guide contained large advertisements for, inter alia, the following British manufacturers:

| | |
|---|---|
| Wm. Atkins and Co. Ltd. | Tool Manufacturer |
| Crosse and Blackwell | Foodstuffs Manufacturer |
| J. Kenyon and Company | Machine Knives Manufacturer |
| Turner, Naylor and Co. | Engineering Tool Manufacturer |
| Tyzack and Company | Engine Manufacturer |
| J. Wright | Iron and Brass Foundry |
| G. Wostenholm and Sons | Cutlery Manufacturer[48] |

Although these companies for the most part established their new sales facilities in Montreal some did penetrate the hinterland. For instance, increasing attention was paid to the newer urban areas in the west such as Calgary and Vancouver.[49]

If the British sales agencies were evolving throughout this period, as the evidence suggests, it appears that British entrepreneurship in the manufacturing industries cannot be judged a failure insofar that there was an awareness of market shares and an increased willingness to defend them. Yet it still remains that prior to 1914 the American manufacturing presence in Canada had evolved to the branch plant stage whereas the British had not. If this can be regarded as a tardy response to the growth of American branch plants and domestic manufacturing enterprises then causality must lie in the failure of late 19th and early 20th century British entrepreneurs to quickly perceive the investment opportunities in a Canadian market. Recent evidence, however, indicates that in this period British manufacturing entrepreneurs were more efficient than previous inquiries had revealed.[50] This revisionism opens up an intriguing line of argument. If late 19th and early 20th century British manufactured exports were labour-intensive there was no special need for the construction of British branch plants in Canada. That is, the relative labor-intensity of British manufacturing when compared to other industrial countries at this time plus the highly skilled nature of that labor input ensured the production of 'high quality' manufactured goods for which there were no substitutes.[51] Consequently, it may be argued that the dealy in establishing a British manufacturing presence in Canada was a rational response to market forces. Such an argument must remain an exciting conjecture until more specific business histories reveal the quantitative information, particularly about market shares, which would allow a test of this proposition.

The First World War brought a sudden end to the registration of British manufacturing sales and distribution facilities in Canada. In the following years many of the existing agencies were closed as the changed structure of demand diverted British manufacturers from their Canadian export market. It is as interesting as futile to speculate how these sales agencies might have developed had there been no war. Certainly, any potential British direct investment in Canadian manufacturing was further arrested despite the apparent growing concern over Canadian market shares in the pre-war years.

## V

This study has conjectured that the absence of any substantial British business participation in the post-1914 Canadian economy can be explained by an examination of the historical record of pre-1914 British business performance. Whether investment in a sector was great or not, whether it was profitable or not, sources of weakness can be found in the structure and performance of British enterprise in Canada. Although these weaknesses vary as the type of business, all betray a corporate form which had not devolved management from ownership.[52] Unlike the United States direct investment in Canada few of the British enterprises ever established subsidiaries companies. While the nature of the evidence presented here lacks the precision necessary to assign specific causal relationships, it is highly suggestive. Individual business histories would lead to a fuller understanding of why British business enterprise in Canada failed to become a major force in the contemporary economy.

Footnotes

[1]For example, C. W. Gonick, "Foreign Ownership and Political Decay", in Close the 49th Parallel etc.: The Americanization of Canada, ed. I. Lumsden, (Toronto, 1970), pp. 43-74, K. Levitt, Silent Surrender: The Multinational Corporation in Canada, Toronto 1970, R. Gilpin, "American Direct Investment and Canada's Two Nationalisms", in The Influence of the United States on Canadian Development, ed., R. Preston, Durham, N. C., 1972, S. Scheinberg, "Invitation to Empire: Tariffs and American Economic Expansion in Canada", Business History Review, XLVII, No. 2, (1973), pp. 218-238.

[2]D. MacKay, The Honourable Company: A History of the Hudson's Bay Company, Indianapolis, 1936, A. W. Currie, The Grand Trunk Railway, Toronto, 1957, R. M. Breckenridge, The Canadian Banking System, 1817-1890, New York, 1895, R. and K. MacFarlane Lizars, In the Days of the Canada Company, Toronto, 1896, A. Begg, A History of British Columbia, Toronto, 1894 and H. Marshall, F. A. Southard, and K. W. Taylor, Canadian-American Industry, New Haven, 1936.

[3]In 1936 two authoritative publications presented evidence which for the first time fully documented not only the extent of foreign direct investment but details of its distribution. Department of Trade and Commerce, British and Foreign Direct Investments in Canada, King's Printer Ottawa, 1936 and Marshall ..., Canadian-American Industry ... The irony of the first title lies in the fact that this was the first major source to effectively quantify the preponderance of American direct investment.

[4]Estimates for the 1920's were calculated, after 1936, by the Dominion Bureau of Statistics and are presented in Statistics Canada, Canada's International Position, 1926-1967, Ottawa, 1971.

[5]F. W. Field, Capital Investments in Canada, third edition, Toronto, 1914 and British and Foreign Direct Investments ...

[6]Department of Trade and Commerce, Canada as a Field for British Branch Industries, (Ottawa, 1922), p. 1.

[7]For example, A. K. Cairncross, Home and Foreign Investment, 1870-1913, Cambridge, 1953, D. N. McCloskey, "Did Victorian Britain Fail?", Economic History Review, Sec. Ser., XXIII, No. 3, (1970), pp. 446-459, M. Simon, "New British Investments in Canada, 1865-1914", Canadian Journal of Economics, III, No. 2, (1970), pp. 238-254, J. A. Stovel, Canada in the World Economy, Cambridge, Mass., 1967, and J. Viner, Canada's Balance of International Indebtedness, 1900-1913, Cambridge, Mass., 1924.

[8]The Mining Manual, London, 1890-1914.

[9]Canadian Historical Statistics, eds. M. C. Urguhart and K. A. H. Buckley, (Toronto, 1965), pp. 412-437. Copper production increased from approximately 6 million to 76 million pounds and nickel output from 1 million to 46 million pounds over this period. Gold output by 1914 was fourteen times greater than in 1890 and silver output increased from 40 thousand troy ounces to 28 million troy ounces. Even in traditional coal mining output increased fourfold.

[10]C. Lewis, America's Stake in International Investments, Brookings Institution, (Washington, 1938), pp. 575 calculates the United States direct investment in Canadian mining to be $55 million in 1897. The comparable measure of the aggregate paid-up of the British mining ventures is $46 million. Over the next two years the British involvement grew more rapidly and stood at $92 million in 1899. In the years after 1900 the British contribution fell while the American rose, Field, Capital ..., p. 25.

[11]Department of Mines, Annual Report on the Mineral Production of Canada During the Calendar Year 1907, (Ottawa, 1908), p. 38.

[12]"Report of the Ontario Mining Institute", reprinted in The Canadian Mining and Mechanical Review, September 1894, p. 176. This, of course, was prior to the major expansion of mining in the other areas of Ontario.

[13]Mikado Gold Mining Company Limited, Public Record Office, (P. R. O.), 48758/BT/31/15643 and Mining Manual, various issues.

[14]The Canadian Mining and Mechanical Review, March 1901, p. 72.

[15]The British Columbia Mining Record, January 1896, p. 27.

[16]N. MacDonald, "Seattle, Vancouver, and the Klondike", The Canadian Historical Review, XLIX, (Sept) 1968, pp. 234-246.

[17]The British Columbia Mining Record, August 1896, p. 24.

[18]The Canadian Mining Journal, Sept. 1st, 1913, p. 556.

[19]Memorandum of Association, The Uneman Gold Fields Limited, P. R. O., 73087/BT/31/16788.

[20]Similar name patterns can be found for mineral claims in the western United States and British Columbia. See C. C. Spence, British Investments and the Mining Frontier, Ithaca, N.Y., 1958. The names of the mineral claims were registered by the first owner and after were invariant to ownership. Mining companies often adopted the name of the mining claim in their title. Thus, the Idaho-Alamo Consolidated Mines Limited (which bought the properties from the Scottish Colonial Godl Fields Limited) was registered as a Scottish company and took its name from the Idaho and Alamo mining claims.

[21]The Financial Times cited in the Canadian Mining Journal, September, 1913, p. 556-7.

[22]W. T. Jackson, The Enterprising Scot: Investors in the American West After 1873, (Edinburgh, 1968), p. 198.

[23]The British Columbia Mining Record, June 1896, p. 12. The Canadian Mining and Mechanical Review, October, 1901, p. 223.

[24]The British Columbia Mining Record, August 1896, p. 24.

[25]The Canadian Mining and Mechanical Review, February, 1901, p. 21. The preference of British mining companies overseas of British mining engineers may have been a reaction to some unfortunate experiences with domestic engineers in Australia and the United States. The engineers were often the sole source of information of the investors.

[26]The British Columbia Mining Record, May, 1899, p. 17.

[27]Mining Manual, various issues and the Register of Defunct and Other Companies Removed from the Stock Exchange Official Year-Book, ed. W. S. Wareham, London, 1968.

[28]Mining Manual, 1894.

[29]The Alice Broughton Mining Company, P. R. O., 79637/BT/31/10540.

[30]Alice Broughton ..., P. R. O.

[31]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 Techniques to Canadian Economic History, forthcoming.

[32]Only one direct link was isolated. The Western Canada Mortgage Company Limited was the subsidiary of the Western Canada Land Company Limited. The Stock Exchange Year-Book, London, 1915.

[33]Liquidators' Statement of Account, Qu'Appelle, Long Lake, and Saskatchewan Land Company Limited, P. R. O., 34065/BT/31/31778.

[34]For example, Canada North Western Investment Company Limited, O. R. S. C., 8203 Dissolved and North of Scotland Canadian Mortgage Company Limited, O. R. S. C., 642.

[35]Annual Reports of the Department of Trade and Commerce, Sessional Papers, Ottawa, various years.

[36]Annual Reports of the Department of Trade and Commerce, ... various years.

[37]Report of the Task Force on the Structure of Canadian Industry, Ottawa, 1968.

[38]Marshall, Canadian-American Industry, pp. 198-217, M. Wilkins, The Emergence of Multinational Enterprise, (Cambridge, Mass., 1970), pp. 135-148 and Scheinberg, "Invitation to Empire", pp. 218-238.

[39]This is based on the assumption that the tariff levels of 1879 did qualify as an 'infant industry tariff'.

[40]A. E. Scaperlanda and L. J. Mauer, "The Determinants of U.S. Direct Investment in the E.E.C.", American Economic Review, LIX, No. 4, (1969), pp. 558-568.

[41]W. B. Reddaway and others, Effects of U.K. Direct Investment Overseas: An Interim Report, University of Cambridge, Department of Applied Economics, Occasional Paper 12, (Cambridge, 1967), p. 33.

[42]T. C. Barker, Pilkington Brothers and the Glass Industry, (London, 1960), pp. 168-196.

[43]Barker, Pilkington, pp. 194-196, p. 212.

[44]Information of sales agencies was collected by a survey of the business records of British firms held by the Quebec Provincial Archives (Q.P.A.)

[45]Holbrooks Limited, Q.P.A., 2477/11.

[46]Debenham's (Canada) Limited, Q.P.A., 769/05.

[47]For example, Bovril L mited, Q.P.A., 1966/06, Bagley and Wright Manufacturing Company Limited, Q.P.A., 2105/04, and The Eagle and Globe Steel Company Limited, Q.P.A., 269/14.

[48]Canada's Manufacturers, Business and Professional Record and Gazetteer, Toronto, 1908.

[49]For example, Craig and Rose Company Limited, O.R.S.C., 4650.

[50]The two basic positions are best summarized in "The Entrepreneur and the British Economy, 1870-1914", in The British Economy, 1870-1939, eds. D. Aldcroft and H. Richardson, (London, 1969), pp. 141-167 and D. N. McCloskey and L. G. Sandberg, "From Damnation to Redemption: Judgments on the Late Victorian Entrepreneur", Explorations in Economic History IX, No. 1, (1971), pp. 89-108.

[51]This point is advocated by C. K. Harley who drew it to my attention, "Skilled Labor and the Choice of Technique in Edwardian Industry", Explorations in Economic History, forthcoming.

[52]Contrary examples often prove to be only nominally British companies actually formed by local entrepreneurs in Canada such as the British investment in the British Columbian salmon canning.