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Warren M. Elofson

University of Calgary

John Feldberg

University of Calgary

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FINANCING THE PALLISER TRIANGLE, 1908-1913

JOHN FELDBERG AND WARREN M. ELOFSON

A decade ago, David C. Jones compellingly described the immense ecological and human tragedy that occurred in the southern, semi-arid districts of Alberta and Saskatchewan in the late 1910s and early 1920s.¹ Prior to World War I settlers poured into these provinces buoyed by dreams of a better life, but in the decade or so following 1915 many who had taken homesteads in the so-called Palliser Triangle saw their hopes shattered by successive years of drought and crop failure. One of

John Feldberg has an Master's degree in history and a MBA in finance from the University of Calgary. He co-edited with W. M. Elofson the Sarcee Elders (Calgary, 1990).

Warren M. Elofson is associate professor of history at the University of Calgary and has published widely in eighteenth-century British political history as well as several articles on western Canadian agricultural history. He is author of The Rockingham Connection and the Second Founding of the Whig Party, 1768-1773 (1996).

the crucial vehicles in this tragedy was the financial institution. Between 1908 and 1913 investment firms made available huge sums of capital mainly from Britain to enable farmers to commence and expand their operations. As such they helped on the frontier to facilitate the ensuing disaster.² The purpose of this paper is to develop that thesis. It is not, however, to point the finger of blame. The money managers were subject to some of the same influences that nourished an overestimation of the western frontier by the Canadian government, the Canadian Pacific Railway, and indeed, the farmers themselves who clamored for loans.³ What follows is simply an attempt to shed new light on this major historical event by viewing it through the eyes of those who helped finance it.

Investment in the Canadian west must be seen as a reflection of the fact that in the course of the nineteenth century the United Kingdom, and in particular the city of London, had become the greatest ever international market for the export of capital. In "real" pounds of 1913, total flows to the rest of the world grew from an average of 40 million pounds per year between 1865 and 1874 to

173 million pounds over the decade preceding World War I.⁴ The outward movement of capital from Britain greatly exceeded that from any other country and seems to have accounted for between 40 and 75 percent of the total from Europe as a whole.⁵ Historians have told us about the importance of the philosophy of British economic imperialism in channeling investment to the more independent states of the empire. That theory was based on the belief that the empire was "no longer held together by diplomatic bonds but by the financial commitments made by many influential British investors."⁶ Successive governments in England had made, and had encouraged the private sector to make, investments in the more independent dominions such as Canada, Australia, and New Zealand in part because it was felt that economic ties would bolster the mother country's influence where it was being eroded in the strictly political sense. In the case of Canada, Britain's perceived need to compete with a growing American presence seems to have been crucial. "From the British angle, a politically independent, but economically dependent, Canada was an excellent offset to the rising power of the United States on the American continent, and brought both political and material gains."⁷

Thus by the time the prairie wheat lands were being settled and expanded after the turn of the twentieth century there was already in place an ideology, a tradition, and an infrastructure for the exportation of British capital. However, in the period from 1908 to 1913, the flow of capital from the mother country to the prairie wheat farmers also involved a number of both "push" and "pull" forces that had at least as much to do with immediate economic circumstances on both sides of the Atlantic as with long-standing theories of empire. To British money managers, these forces strengthened the appeal of investment abroad in general while making the western wheat frontier seem more inviting than perhaps it was.⁸

Among the push factors one of the most important was the accumulation of enormous

pools of excess capital. The traditional imbalance in income distribution in British society had concentrated the country's wealth in an extremely limited number of hands. That circumstance tended in the first place to substantially restrict the purchasing power of the nation's largest consumer group—the wage earner—and produced chronic underconsumption.⁹ The result by the turn of the twentieth century was a slowing of economic growth across the British Isles in manufacturing businesses that produced for the domestic market. This, in conjunction with the relative maturity and therefore capital self-sufficiency of many long-established corporations, led to a more or less consistent shrinking of credit requirements in industry.¹⁰ At the same time, the agricultural sector in Britain, previously considered reliable as an outlet for capital, was experiencing economic difficulties that had originated in the 1870s in part because of foreign competition. As a result, investment companies had become much more reluctant to provide conventional farm mortgages.¹¹ Furthermore, opportunities to finance government debt were dwindling by the turn of the century. Successive British ministries had attempted to cut down on borrowing and therefore had significantly reduced offerings of one of the safest and in some respects most attractive domestic investments available, the government bond or "consol."¹²

The consequence of contracting domestic investment markets for British money managers was that their capital concentrations continued to grow inordinately prior to World War I. This quite naturally produced a rather dramatic fall in interest rates as is evidenced by the fact that, for instance, the consols the government made available were yielding less than 3 percent by the 1890s.¹³ The combination of limited domestic opportunities and low returns created nothing less than a scramble to find opportunities abroad. By the beginning of the twentieth century over one-half of the savings of British citizens was being invested outside the country.¹⁴

TABLE 1
BRITISH INVESTMENT IN CANADA, 1900-13,
THROUGH SECURITIES, INSURANCE COMPANIES, AND MISCELLANEOUS¹⁵

Year	In thousands of dollars
1900	10,680
1901	15,085
1902	11,016
1903	28,833
1904	29,500
1905	76,398
1906	68,453
1907	65,251
1908	181,404
1909	212,725
1910	218,457
1911	244,427
1912	214,830
1913	375,771

As Table 1 demonstrates, 1908 marked a dramatic increase in British investment in Canada and the amount continued to climb almost steadily to 1913. In the years just prior to the war Britons were investing more money in North America than anywhere else in the world, and 75 percent of that was going to Canada.¹⁶ There were two basic reasons for this. First, by the end of the nineteenth century, the United States and Australia, the two countries that had previously attracted the majority of British capital, had become much more self-financing.¹⁷ Second, this was the great period of expansion in western Canada associated with the opening of commercial wheat production on the prairies and other industrial developments.¹⁸

The wheat industry was one of the two great western Canadian outlets for British capital

in these years; the other was railway construction.¹⁹ What sets investment in the former apart from that in the latter, however, is the amount of risk involved. Britons generally recognized that anyone putting money into railways enjoyed insulation from major losses by what seemed almost unlimited government guarantees and support.²⁰ The wheat frontier offered no similar risk protection to investors and yet they put their money into it with comparable impunity. It should be said that straightforward mathematical calculation undoubtedly played an important part in drawing British capital to western agriculture. Demand for loans among the new settlers was tremendous and money managers discovered that, at a time when demand was drying up in other areas both at home and abroad, they could command mortgage interest rates as high

as 8, 10, and in some cases, even 12 percent.²¹ The return on many domestic investments listed on the London markets in the prewar years was often no higher than 1 percent.²² It was possible, therefore, for investors to borrow funds in London and loan them out in western Canada at a substantial profit.

If investor enthusiasm was a reflection of high interest rates on the frontier as well as falling demand in other parts of the world, it was also predicated on a belief that great things were about to happen in this new hinterland. The prairie economy appeared to hold out wonderful prospects for future prosperity in part because of the growing appeal of wheat around the world. Per capita consumption rose from 2.46 bushels in 1885, to 2.81 bushels in 1909, and between 1906 and 1913 the price, after remaining more or less steady for over a decade, climbed steadily from about \$1.00 to around \$1.50 per bushel.²³ Moreover, the increase in demand coincided with a period of lower agricultural production throughout much of Europe because of the difficulties farmers were having competing with foreign producers.²⁴ The result was a growing need for the importation of wheat in many European nations to feed rising populations.²⁵ This brought a new appreciation of wheat as a staple commodity and subsequently produced a general tendency to overestimate the value and stability of frontiers that seemed likely to produce it in large quantities. "Everyone knows that wheat is on the same basis as gold," reported one writer in the *Economist* in early 1910.²⁶ Some two years later, when referring specifically to the Canadian west, the president of the Trust and Loan Company of Canada advised his shareholders that "when they [have] those vast areas of fertile soil, producing annually immense crops of the necessities of life, it [is] impossible to doubt the stability" of the entire country.²⁷

Readily available export figures for Canada in the prewar era indicated an increasingly productive agricultural base consistently expanding with no sign of an end.²⁸ This seems to have made financial institutions in Britain

positively euphoric about the potential of the west. Their inclination to go overboard, so to speak, and invest without awaiting the evidence of time no doubt reflected their natural propensity to rationalize in face of the specific circumstances outlined above. However, a sort of "frontier mentality" also came into play.²⁹ Western Canada seemed to have an almost unlimited amount of virgin soils and its potential was as yet unknown. Therefore, people had difficulty keeping their estimation of it within the bounds of reality. When encouraged by stable grain prices or favorable interest rates to believe that the region would be fruitful, they began to see the prairies, stretching from Manitoba to the Rockies and four hundred miles north of the forty-ninth parallel, as "one huge wheat field" that was certain to have a substantial impact on "the food supplies of the world in the future."³⁰ In the British House of Commons both government and opposition acknowledged the "vast untouched areas and fertile regions . . . the British Empire possesses" in western Canada and they accepted without hesitation estimates that those regions had "the capacity . . . for the growth of four times the quantity of wheat required to feed the whole people of the United Kingdom."³¹

Among the lenders, this overestimation helped produce a rather surreal faith in the Canadian west that was difficult to temper. We see this in their unwillingness to believe that the basic security for investment, the land itself, could significantly lose its equity value. During the first decade of the twentieth century, the rate of appreciation was nothing short of spectacular. Between 1900 and 1910 it amounted to 123 percent in Manitoba, 185 percent in Alberta, and 201 percent in Saskatchewan.³² A fundamental knowledge of economic trends in the other recently settled frontiers of Australia and the United States might have indicated that these rises could be followed by substantial falls.³³ However, few were prepared to give this much real thought. "Farm lands are increasing in value steadily," wrote the *Financial Post* in 1911, "and will

continue to do so in proportion to the increase in immigration which is phenomenal at present."³⁴ Whether it would be possible to sustain the dramatic upward momentum for much longer was a point of considerable debate, but even some of the most guarded prognosticators argued that at worst, farmland in the west would be likely to avoid excessive declines.³⁵ In the Palliser Triangle plummeting land values, which were to accompany a decade of drought starting in 1916, were soon to demonstrate just how misguided such assumptions could be.

Equally chimerical was the confidence shown in science and technology on the western frontier as a means to overcome any and all deficiencies of climate, terrain and soil. When they had seen enough of this country to realize its flaws, many people did not moderate their initial enthusiasm but insisted that new techniques would not only overcome natural barriers but in fact would turn them into great material advantages. "With productive resources steadily increasing in the form of better implements of agriculture, better railroad facilities and the extending area of civilisation," they insisted, "there is no doubt whatsoever but that the debt the West is assuming is a light one."³⁶ The "cultivation of wheat in the Canadian West has been greatly promoted by the multiplication of railways and the improvement of implements, including the introduction of traction engines and steam ploughs."³⁷ One of the problems farmers had was the short growing season and the consequent possibility of crop failures due to frost. The introduction of new, faster-maturing strains of wheat such as Red Fife and Marquis significantly alleviated doubts on that score. Indeed, by 1912 it experts confidently predicted that these strains would allow the regular harvesting of wheat in the central and even northern parts of Alberta and Saskatchewan, thus making the entire west far more productive than anyone had ever dreamed.³⁸ "The area of land capable of growing wheat in the West is constantly expanding as hardier varieties are evolved. . . . [T]he pioneer finds that

the country in latitudes once deemed hopelessly cold and sterile is quite as fit for farming as that further south," wrote a contributor to the *Economist*.³⁹ Since that time, of course, early frosts have continued to devastate crops from Calgary to Peace River.

Science, advocates of the west argued, would eventually conquer other problems as well. From early on some observers were warning of possible difficulties as a result of soil exhaustion and abuse. Many farmers were producing valuable cash wheat crops from the same cultivated acres year after year with little regard for weed control or for preserving nutritional and moisture levels for the future.⁴⁰ Yet concerns were mollified by assurances that eventually an advanced system of crop rotation, through a mixed instead of straight grain-farming approach, would not only save the land but enable it to bring forth wheat crops indefinitely. Even "if the present money result was no greater," it was argued, "mixed farming in which . . . crops are partly used on the farm to feed stock, would so sustain the value of the land as to pay handsomely in the long run."⁴¹ Some analysts claimed that while the earlier-established districts in the south might be forced to reduce total wheat production for a time while making the transition to mixed farming, the slack would be taken up by the more remote areas as the new strains of wheat became available. "It is tolerably certain," they estimated, "that the older west . . . will before long take to mixed farming, leaving the region to the north of existing settlements to be the wheat-belt for the future."⁴² Thus the Canadian west in general was certain to remain a dynamic, prosperous, and secure agricultural region, and fears about the potential and value of any particular parts were cast aside.

Such predictions overlooked the natural environment of the southern Canadian plains. Mixed farming on a large scale was and is impossible in much of this area mainly because the climate and other elements are not conducive to animal husbandry.⁴³ There are not enough freshwater sloughs, lakes, and streams to water livestock, nor sufficient annual

precipitation to produce adequate pastures, roughage hay, or greenfeed crops. Science was simply a placebo to overcome the doubts of men who wanted to believe they had a marvelous new region in which to invest: it was hailed as a means of overcoming major problems such as inadequate rainfall in the Palliser Triangle. In this case the answer was the Campbellite method of dry-farming, which mistakenly advocated deep plowing of the soil, subsurface packing, and frequent cultivation to draw up moisture from the depth of the earth through capillary action.⁴⁴ Misguided faith in this approach and in advancements in the technique of summer fallowing made at the experimental research farm at Indian Head, Saskatchewan, induced confidence that the entire southern plains could in fact go on increasing output more or less forever.⁴⁵

The farmers themselves must have shared this view. When they completed the proving-up requirement on their homesteads, they continued to increase their demands for capital. "It is the man without money who is forced on to the free lands and to the hardships of homesteading," an article quite rightly pointed out. "When the land does become his property, after complying with the requirements of the homestead law, he is, generally speaking, ready for a substantial loan and he generally borrows all he can."⁴⁶ The settlers had lots of uses for leverage. They bought more land or replaced "the team of oxen with horses" or abandoned the sod shack in favor of a proper wood-frame dwelling.⁴⁷

As dreams of prosperity on the frontier, the desire to invest, and the demand for money came together between late 1908 and 1913, capital poured into the Canadian west.⁴⁸ The importance of overseas money was eagerly acknowledged by the press. "A great deal of the expansion in Western Canada has been financed by mortgage and loan companies which have lent large sums, secured in the most part in Great Britain, on farm land and town lot mortgages," the *Financial Post* observed. "These companies [have] been profitable to stockholders . . . [and] have been

instrumental in the development of the West."⁴⁹ A number of investment vehicles were used to unite borrowers and lenders: existing trust and loan companies shifted their business into the region and new joint stock companies and syndicates were formed to solicit capital. It did not take Canadian interests long to participate in importing British capital once they realized the profits they could make. Companies such as the Canada Permanent found they could raise capital by placing five-year debentures on the British markets at a comparatively low rate of between 3½ and 4 percent.⁵⁰ New companies were often formed as joint operations of Canadian and overseas partners. Usually local investors would assemble a corporation whose directorate included one or more prominent Britons. The Canadians then traveled to Britain in the hopes of raising funds, using their relationship with their associate to enhance the general reputation of the corporation.⁵¹ The fund-raising could be done either through stock or debenture issues, or through private placements with individuals. Syndicates were also formed that consisted of small groups of businessmen who raised capital issuing shares. This often obliged British affiliates to call on their families, friends, and business colleagues.⁵² Larger companies generally raised capital on the stock or money markets.

It would be wrong to suggest that in Great Britain all financial interests were caught up in the general enthusiasm for these ventures. Edinburgh was the preferred source for corporations' fund-raising on the open markets because there was some resistance to debentures of loan and mortgage corporations in England. English reticence centered on the fact that the bonds of such companies were infrequently traded on the capital markets and therefore were relatively difficult to liquidate.⁵³ Nonetheless, there was undeniably a great interest in Britain as a whole in bank-rolling the western Canadian frontier. In 1890 there were only seven British companies operating in this country. By 1914 fifty new British investment firms had moved to Canada.

TABLE 2
LOAN COMPANIES OPERATING IN ALBERTA
AS OF 31 DECEMBER 1909⁵⁵

Company Name	Amount Invested
Alberta Societe Anonyme Belge	\$ 160,000.00
British Columbia Permanent	584,530.00
Colonial Investment	318,828.00
Colonial Investment (Winnipeg)	12,757.40
Canada Landed	50,747.40
Credit Foncier	1,024,521.61
Canadian Loan and Realty	16,982.12
Canada Permanent	12,242.57
Dominion Permanent Loan	1,515,779.09
Edmonton Mortgage Corporation	40,412.50
Empire Loan	73,155.36
Great West Permanent	418,030.51
Guelph and Ontario	182,542.35
Investors Guarantee	10,000.00
London and Canadian Loan Company	3,700.00
McDougall and Secord	1,926,087.23
North of Scotland Mortgage Company	619,240.00
Ontario Loan and Debenture	73,917.13
Reliance Loan and Savings	49,175.00
Royal Loan and Savings	315,734.25
Sun and Hastings	72,859.72
Trust and Loan Company of Canada	24,473.90
Union Trust Company	283,179.75

Of these, twenty-one were formed directly as mortgage companies or trust and loan companies involved in mortgage extensions. The other twenty-nine operated as general investment firms, making loans to industry as well as to the agricultural sector. Only two restricted their activities to eastern Canada; the others operated either primarily or exclusively in the west.⁵⁴

A list of the expenditures of the major companies operating in Alberta at the end of

1909 (see Table 2) indicates not only the enormous amount of capital that was being injected into the province by this time but also of the confidence that money managers in general placed in western farm mortgages. In addition to the trust, loan, and mortgage companies, moreover, many life insurance firms participated.⁵⁶ Many of these, especially those conducting business in Scotland, had invested heavily in agricultural mortgages in the past.⁵⁷ The insurance firms were swept along by the

same faith in the Canadian frontier that their competitors had. The "return on loans secured by western 'improved' lands is so high," reported the *Post*, "and the likelihood of depreciation in the value of the land is so remote, that such institutions as do not require ready convertibility for large portions of their funds, find them particularly desirable."⁵⁸

The corporations entered the frontier either by setting up branches in one or more of the major western Canadian urban centers or by making arrangements with a financial institution already established. In 1909 the Standard Life Assurance Company made arrangements with the Winnipeg-based Royal Trust Company whereby the former agreed to devote a specified portion of its assets to farm mortgages, principally in Saskatchewan and Manitoba. The entrance of this major British corporation ushered in an unprecedented influx of old world insurance capital into the Canadian agricultural sector. Assets of life insurance companies in the three prairie provinces as a whole rose to a total of \$48,364,000 by 1909 and \$70,113,000 by 1911.⁵⁹

Of course, the Canadian chartered banks were also involved in financing the western farmers.⁶⁰ Indeed, the banks were strained to the limit in attempting to meet the demand on the prairies and they too found ways to increase their presence as the investment rush proceeded.⁶¹ On 7 January 1911 the *Financial Post* reported that the Canadian banks had constructed twenty-six new branches in Alberta, sixty-nine in Saskatchewan, and thirteen in Manitoba. At that time, 118 Canadian chartered bank branches were operating in the three prairie provinces out of a total of 256 in the entire country.⁶² It should be noted, however, that by law the Canadian chartered banks were not allowed to take mortgages on real estate. Their participation was through short-term loans on liquid assets, which in the case of the Triangle were the harvested wheat crops. Therefore, the domestic institutions were neither as heavily committed nor nearly as vulnerable as the land investors.⁶³

The growing presence of the Canadian banks seems to have bolstered enthusiasm abroad by contributing to the image of the frontier as a sound, sensible, and potentially rewarding outlet for capital.⁶⁴ At any rate, international participation continued to climb and new mechanisms were designed to attract capital primarily of a private nature. Hence the "guaranteed mortgage" was established through which the mortgage company would negotiate a loan, attend to the administrative and legal details, collect the interest and principal, and look after the payment of any outstanding taxes and insurance premiums on behalf of an individual or a private institution in Britain in exchange for a fixed percentage of the interest. One of the advantages of this mode to the individual investor was that he was able to hold title to the mortgage himself. As a consequence the funds were directed into a specified asset rather than into a mortgage company's general operating account. To make the investment doubly attractive, the company also undertook to guarantee the investment, even if the value of the land should decline.⁶⁵

As a result of such expedients investment funds continued to flow in. "The desire to meet the demand is strong because during the past year, and the past twenty years, the farm loans have been thoroughly satisfactory," it was pointed out in early 1910. "Managers of the older companies which have had large sums invested for over twenty years say that losses are quite rare and immaterial and that interest payments are well kept up."⁶⁶ Many firms shared these sentiments.⁶⁷ In February 1910 the London and Canadian Loan Company announced that as a result of the active demand for money at favorable interest rates, it was increasing its mortgage activity.⁶⁸ New capital also began to arrive from European countries other than Great Britain. In April 1910 a Canadian directorate based in Edmonton announced that it had made arrangements with a group of financiers in France to bring \$2 million into western Canada to be made available for mortgages. The new company

would be known as the Caisse Hypothecaire Canadienne, or the Canadian Mortgage Company.⁶⁹

The 1910 wheat crop was one of the worst on record but the financial community was undeterred. Reflecting on the character of the settlers, the *Financial Post* noted that "though they had a drought, those who live in this country . . . know that though they be unfortunate in some years, others come around which compensate them for the loss."⁷⁰ The poor crop year actually increased loan company business; many farmers, finding that crop failures had left them desperately short of capital for the winter, were forced to seek loans to sustain them until the next harvest. Some who were fortunate enough to have a crop were anxious to finance improvements to their homesteads and buy more land. Others wanted to pay off what they had already bought.⁷¹ Because the financial institutions continued to increase their offerings, the poor harvest had no discernible adverse effect on land values. "The country has demonstrated itself beyond any shadow of a doubt," it was announced. "[Because] only the remnants of the condition which tended to keep the price of land down remain, . . . we realise that there is an end to the supply."⁷²

Reasoning of this sort gave many a dangerous sense of well-being. They clung to the belief that the western frontier was endowed with special qualities making it impervious to forces that had operated elsewhere. Thus, for instance, in an interview with the *Calgary Herald*, S. H. Mapes, the head of the Metropolitan Security Company, acknowledged that in "the eastern states, and in fact in all older countries, the value of a property mortgaged has a tendency to decrease in value." However, "in these western provinces, a tendency all the time is for the property to improve in value."⁷³ In his 1911 annual report, W. G. Gooderham noted that, out of \$4 million outstanding, there were practically no debts in arrears. "The prompt payment of interest and principal," he said, "is very characteristic of Western borrowers, and is another desirable feature of the

loaning business in Western Canada."⁷⁴ Of course he did not concede that when credit is readily available it is usually the case that few people fail to meet their obligations if only because they are able to borrow more money.

Companies indicated that pressure for credit was so high they were forced to turn away clients.⁷⁵ With such an excess of demand over supply, it was not long before additional sources of finance presented themselves. Some of these were firms entering the west for the first time. In April 1911, Douglas Fortayne, the managing director of the Netherlands Transatlantic Mortgage Company, publicized the fact that his company was coming to Canada to invest in Manitoba, Alberta, and Saskatchewan. Supported by two of the strongest banks in Holland, it planned to lend at least \$1 million annually for farm mortgages.⁷⁶ It joined three other Dutch-based companies (the Holland-Canada Mortgage Company, the Netherlands Mortgage Bank of Canada, and the Rotterdam-Canada Mortgage Company) already operating on the Canadian prairies. By late 1912, together with another Dutch company (the Overseas Mortgage Company established in 1912), it had injected over \$10,400,000 into the western Canadian economy.⁷⁷ At the same time, some of the British firms already in western Canada found ways to generate more capital. The Trust and Loan Company of Canada announced that it was issuing an entirely new series of stock. It stated that "the proposed new capital would be invested chiefly and almost entirely in Saskatchewan and Alberta."⁷⁸ The directors felt confident in this move because they were investing in "not only the most remunerative but also the safest part of Canada, namely the new . . . [wheat] lands in the West."⁷⁹ The confidence in the region demonstrated by this company and several other European firms did not go unnoticed by the financial press. In December 1911 the *Financial Post* observed that "from Europe, especially, this year there has been a steady flow of money . . . In addition to the enterprise of Dutch, Belgian and French Investors, Britishers appear to have

awakened to a greater extent than usual to the opportunities in the Canadian West."⁸⁰

The positive outlook with respect to the Canadian prairies continued to flourish throughout the latter part of 1911 and into 1912.⁸¹ It was not until toward the end of 1912 that the old world sense of urgency about investing in the west began to diminish for the long term. By then some four-fifths of the patented land on the prairies had been mortgaged.⁸² The most important reason for the decline appears to have been that demand for capital for industrial expansion and military development prior to and during World War I caused a rise in interest rates in Europe.⁸³ This encouraged money managers to channel more investment into the home market. It did not, however, provide for a mass exodus from Canada. Professor Jones demonstrated that when drought struck the Palliser Triangle in 1916, the financial institutions were caught with loans on crops that did not grow and acreages that were more or less worthless.⁸⁴ The McGibbon Commission, assembled to investigate the disaster in Alberta, supported the farmers' belief that the banks had gone "beyond liberality" and "granted altogether too much credit."⁸⁵ It should be reiterated that the farmers themselves had almost certainly been influenced by the same visions of success on the frontier as had the companies to which they had thronged for capital.

The institutions were drawn (and pushed) to the prairies by a complex set of circumstances, some of which had originated in parts of the world that were far removed from western Canada. It is clear, however, that the frontier itself, working on the imagination, reinforced all these circumstances. Professor Douglas Francis has demonstrated that the developing Canadian west stirred dreams of paradise not only in settlers, the government, and the Canadian Pacific Railway but also in a host of writers, poets, and artists.⁸⁶ Painting by painting, poem by poem, story by story, people with well-known names including Kinderdine, Jeffreys, Murphy, and Connor constructed a myth about a wonderful land

that was to be not only more stable and prosperous than any that had come before but also healthier, wiser, and more free. There was no compelling pragmatic reason for creating such a picture. These people could have made just as great an impact by unveiling a wild land full of real hardships and incalculable dangers. However, it seems to be human nature that when one finds oneself standing at the threshold of a frontier one feels a strong proclivity to visualize utopia. Unless some striking negatives assert themselves, caution is lost as the best-case scenario develops into a widely accepted expectation. In 1910 an observer writing specifically for the banking audience in Canada commented:

The world's gaze and capital are being directed towards what is unquestionably the richest country in the world. . . . I have seen. . . [the banks in the west] open up a branch in a townsite where but a few buildings had sprung up. . . using for an office a tent or a board shack. . . . [I]t is not the building nor the name of the bank that wins out, but rather the man at the helm, the man who understands Western ways, he who extends the glad hand and says, "come in friend we want your business."⁸⁷

These words express the widespread exuberance for the frontier during the settlement period and provide direct evidence that it helped to inspire the financial fraternity, along with almost everyone else, to reason away caution in the wheat fields of the west.

NOTES

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2. See Commissioner, D. A. McGibbon, *Report of the Commission on Banking and Credit with Respect to the Industry of Agriculture in the Province of Alberta* (Toronto: Macmillan, November 1922),

pp. 22-29; and *Report of the Agricultural Credit Commission of the Province of Saskatchewan* (Regina: J. W. Reid, 1913), p. 20.

3. D. Francis, "From Wasteland to Utopia: Changing Images of the Canadian West in the Nineteenth Century," *Great Plains Quarterly* 7 (1987): 178-94, and *Images of the West: Changing Perceptions of the Prairies, 1690-1960* (Saskatoon: University of Saskatchewan Press, 1989), pp. 107-53; D. C. Jones, "An Exceedingly Risky and Unremunerative Partnership: Farmers and the Financial Interests Amid the Collapse of Southern Alberta," *Building Beyond the Homestead*, ed. D. C. Jones and I. MacPherson (Calgary: University of Calgary Press, 1985), pp. 207-15.

4. L. E. Davis and R. A. Huttenback, *Mammon and the Pursuit of Empire: The Political Economy of British Imperialism, 1860-1912* (Cambridge: University of Calgary Press, 1986), pp. 37-38.

5. *Ibid.*, p. 38.

6. A. A. den Otter, *The Galts and the Development of Western Canada* (Edmonton: University of Alberta Press, 1982), p. 43.

7. P. J. Cain and A. G. Hopkins, *British Imperialism: Innovation and Expansion 1688-1914* (London: Longman, 1993), p. 273. See also J. Adelman, "Prairie Farm Debt and the Financial Crisis of 1914," *Canadian Historical Review* 71 (1990):491-519.

8. David and Huttenback, *Mammon and the Pursuit of Empire* (note 4 above), p. 47.

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14. H. Feis, *Europe, the World's Banker, 1870-1914* (New York: August M. Kelly, 1930), p. 5.

15. J. Viner, *Canada's Balance of International Indebtedness, 1900-13* (Ottawa: McClelland and Stewart, 1975), pp. 164-90. Figures reported in Canadian funds.

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17. D. C. M. Platt, "Canada and Argentina: The First Preference of the British Investor, 1904-14," *The Journal of Imperial and Commonwealth History* 13 (1985): 78.

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20. For contemporary comment, see *The Times*, 10 June 1911, 21.

21. McGibbon, *Report of the Agricultural Credit Commission of the Province of Saskatchewan* (note 2 above), p. 55.

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28. C. E. Solberg, *The Prairie and the Pampas: Agrarian Policy in Canada and Argentina, 1880-1930* (Stanford, Calif.: Stanford University Press, 1987), p. 235.

29. See W. M. Elofson, "Adapting to the Frontier Environment: Mixed and Dryland Farming near Pincher Creek, 1895 to 1914," *Prairie Forum* 19:1 (spring 1994): 44.

30. See Lord Strathcona's speech to the Royal Colonial Institute in London in 1912, *The Journal of the Canadian Bankers' Association* 19 (1912): 20.

31. *The Parliamentary Debates of the United Kingdom of Britain and Ireland* 5th series, 21 (1911): 503. The region was also lauded regularly in the newspapers; see, for instance, *The Times of London*, 1 June 1911, 3.

32. P. F. Sharp, *The Agrarian Revolt in Western Canada* (Minneapolis: University of Minnesota Press, 1948), 22.

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60. Jones, "An Exceedingly Risky and Unremunerative Partnership" (note 3 above), pp. 207-15.
61. See *Financial Post*, 6 November 1911, 18. J. Viner points out that during the prewar years Canadian banks maintained their domestic reserves to support the demand for loans only by allowing their foreign reserves to slide; see *Canada's Balance of International Indebtedness* (note 59 above), pp. 164-90.
62. *Financial Post*, 7 January 1911, 3.
63. Jones, "An Exceedingly Risky and Unremunerative Partnership" (note 3 above), pp. 207-12.
64. *Financial Post*, 7 January 1911, 3.
65. *Ibid.*, 1 July 1911, 24.
66. *Ibid.*, 9 February 1910, 3.
67. *Ibid.*, 22 October 1910, 10.
68. *Ibid.*, 26 February 1910, 5.
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