The great importance of British capital to the Canadian economy in the late nineteenth and early twentieth centuries has long been recognized. Yet most treatments of this subject have paid little attention to the role of Scottish capitalists, as distinct from that of English ones, in the history of British investment in Canada. This article discusses some of the activities of Scottish investors in the pre-1920 era.

No one knows how much the Scots contributed to the pool of British money in Canada, but the available evidence suggests that their share was substantial. Scottish investors, though not as important as their English counterparts, but much more significant than their Irish and Welsh colleagues, had large interests in Canada during the years after the mid-1870s, particularly in the prairie West. Land in the Canadian prairies attracted major investments from Scotland. Popular among the Scots as well were mortgages on land and real estate in the region.

This article focuses on the experience of two Scottish firms active in Canada before 1920, the North British Canadian Investment Company and the Scottish Ontario and Manitoba Land Company. The North British invested in land mortgages in Ontario soon after its formation in Glasgow in 1876. Four years later, in 1880, it extended its mortgage-lending activities to Manitoba. The Scottish Ontario was formed in 1879 in Glasgow to hold and develop land in Ontario and Manitoba. In Manitoba, the investments of these two companies were closely linked to the expansion of the Canadian Pacific Railway and the opening up of the western lands for settlement. By 1887 the North British had spread its operations to Saskatchewan, Alberta and British Columbia, and the Scottish Ontario had extended its services to Saskatchewan and Alberta. Clearly this new frontier offered both of these investment companies tremendous opportunities.

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For both the Scottish Ontario and the North British, Manitoba, the oldest province in the West, was the most significant investment territory by the turn of the century. Moreover, Manitoba continued to be the main area of their operations down to 1920 and considerably beyond that year. Increasingly diverse farming in this province made it particularly attractive to Scottish mortgage lenders and land developers.

To the casual Canadian observer, the North British and the Scottish Ontario were like many other British-incorporated investment companies active in Canada, for such companies managed and controlled their own assets and activities in the host country. A great deal of British capital in Canada, whether Scottish or English in origin, went directly into a wide range of economic endeavours, especially into land and mortgages on land. These direct investments differed from portfolio investments primarily in the matter of control. The many British portfolio investors who acquired shares in Canadian enterprises, such as banks and railways, normally did not intend to exercise control over the businesses or participate in financial management. Unlike these portfolio investments, the direct investments made by the Scottish Ontario and the North British in Canada naturally brought with them control and involvement in the management process. In operating in this way, these two companies became part of a broad and important trend in the Canadian economy.

The Scottish Ontario and the North British, with their headquarters in Glasgow, faced virtually no resistance in Canada. For its part, the Canadian state in the post-confederation period welcomed their mortgage and land investments, as it was hungry for capital. Alexander Mackenzie, John A. Macdonald and subsequent prime ministers tried to attract Scottish and English monies they believed were needed for Canadian economic development. Canadian bankers, businessmen and agrarian interests sought British capital to supplement the relatively modest internal financial resources they could deploy. These consistently positive reactions to British investment, when compared to the mixture of positive and negative attitudes toward foreign (including British) investment in
the United States during these years, are striking. In contrast to many Americans who were concerned about the control British money might carry with it, Canadians generally felt that the advantages of British capital far outweighed its disadvantages.

The transformation of the western Canadian economy in the late nineteenth and early twentieth centuries was crucial to the growth of the investment activities of the North British and the Scottish Ontario. In 1881 there were 251,000 acres of improved land under crops in the region; by 1921 this figure had risen to 32 million. As the West became Canada's largest producer of wheat, the region's exports increased, its web of railways expanded and its towns and cities grew. The value of industrial production in the West soared from $24 million in 1890 to $347 million in 1921. These economic changes must be seen in the context of the rising population. Western Canada had 168,000 inhabitants in 1881 and 2.5 million in 1921.

The increase in people, coupled with an economy driven by agriculture, commerce and industry, encouraged large-scale foreign investment in the region. There is no question that until 1914 most of the capital came from Great Britain. By the late 1910s, American interests in western Canada had increased significantly in absolute terms and relative to those of the British.

While Canada was a debtor in international accounts, Great Britain was the world's greatest creditor country. London was so dominant in the financial affairs of the world between the 1870s and 1914 that it is easy to ignore the money markets in Scotland. But the savings of Scottish people undeniably played an important part in the growth of British capital exports. Businessmen in Edinburgh, Dundee, Glasgow and Aberdeen had accumulated surplus capital, and they had more money than was needed by Scotland's industry and domestic commerce. Their huge interests in the United

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States in this period are well known, but their significant operations in Canada have been largely overlooked.

As long as there was the promise of economic growth in western Canada, many thrifty Scots dreamed of establishing investment firms that would handle the transfer of savings from Scotland into the region's economic life. In addition to the North British and the Scottish Ontario, a number of other Scottish investment concerns entered the West before 1920. One of the most important and enduring was the Aberdeen-based North of Scotland Canadian Mortgage Company. With its prairie head office in Winnipeg, this company steadily extended its operations westward, investing heavily in farm mortgages. By 1913 it had invested $662,000 in Alberta alone. Other significant Scottish mortgage enterprises that channelled Scottish savings into western Canadian investment included the powerful Dundee-based Alliance Trust Company and the Edinburgh-based Scottish Canadian Mortgage Company.

All these firms, including the Scottish Ontario and the North British, shared some important features. They were always incorporated and headquartered in Scotland. Apart from the Alliance Trust Company, which had very large interests in the United States, they were all established to do business only in Canada. In each case, they made direct investments in Canada, and their boards of directors controlled their Canadian activities from Scotland. Scottish business and lawyer enclaves in Canada usually provided managerial and entrepreneurial talent for the companies' Canadian offices and agencies.

Most importantly, these Scottish investment firms borrowed at four to five per cent in Scotland, and lent in Canada at eight to ten per cent. This greatly enhanced their capacity to do a profitable business. Yet they faced major rivals in the Canadian investment

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5 Report of the Provincial Secretary and Registrar of the Province of Alberta, 1913 (Edmonton: Alberta Government Printer, 1914), 16.
industry, notably Canadian and English loan, mortgage and insurance companies. Although development needs in Canada consumed most of the money the Scottish investment companies had to offer, competition eventually proved a formidable challenge, making their efforts high-risk activities.

**THE NORTH BRITISH CANADIAN INVESTMENT COMPANY**

The early directors of the North British Canadian Investment Company were drawn from the mercantile, industrial and social elite of Glasgow and southwestern Scotland. Characteristically, all of them were very active in guiding the company’s affairs. Among the directors who helped found the enterprise in 1876 were chairman John Stirling, a landed proprietor of Kippendavie; Glasgow merchants Robert Young, Peter Rintoul, and Samuel Gunn; and Peter Sturrock, a colliery owner of Kilmarnock. The new firm’s authorized capital was £500,000 divided into £10 shares. It was a typical public investment company dependent partly on share capital, but mostly on borrowing in Scotland through debentures at 4½ and 5 per cent for three and five years respectively.

In common with many other Scottish investment firms in this era, the North British was extremely cautious in calling unpaid capital. It required shareholders to pay only £2 upon the £10 shares. Significantly, the uncalled capital of £8 per share represented security for the company’s debenture holders and for bank loans. In its first offering of shares, the company allotted the majority of them to individuals in Scotland and especially to the directors. At the same time, Scots and Scottish Canadians involved in its day-to-day Canadian management also took a substantial stake.

The Canadian connections of the North British were of vital importance in its development. At its Toronto branch, opened in 1876, Scottish-born W. B. Scarth, a partner in the Toronto broker-

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7 Kerr, Scottish Capital, 114.

8 Bancroft Library, University of California, Reel 10, Companies Registration Office (hereafter CRO), Parliament Square, Edinburgh, North British Canadian Investment Company file.
age firm Scarth, Cochran & Co., was the first general manager for the Canadian operation. Another Toronto Scot, John McMurrich, a prosperous merchant,\(^9\) served as the chairman of the company's Canadian advisory board. His Canadian-born son, William B. McMurrich, a well-known lawyer in the city, provided legal services for the enterprise. Besides regular correspondence between the company's Canadian management and its directors in Glasgow, there was considerable travel across the Atlantic. Director Samuel Gunn made frequent trips to Ontario and Manitoba, checking the firm's operations. For his part, Scarth visited Glasgow on company business at various times.

Initially, the North British concentrated its business in Toronto, a rapidly industrializing central Canadian city.\(^10\) Towards the end of 1876, the company took over the City of Toronto Permanent Building Society.\(^11\) This meant that it purchased the Society's 200 city real estate and farm mortgages bearing 8 per cent interest.\(^12\) The company soon made additional investments in real estate mortgages in the city, besides investing more money in farm mortgages in the surrounding area. By the fall of 1877, the North British had lent about one million dollars on agricultural land and urban property in Ontario.\(^13\)

Such rapid growth of mortgage lending was possible partly because Canadian chartered banks were not serious and direct competitors to the company. An important difference existed between North British and bank loans: while banks could not lend with land as security and usually provided only short-term credit, this company like other investment firms could make long-term,

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\(^11\) MCIM, North British Canadian Investment Company, Minute Books, Board of Directors, 1, December 5, 1876.


\(^13\) MCIM, North British Canadian Investment Company, Minute Books, Board of Directors, 1, September 3, 1877.
land-secured loans that were essential for agricultural and real estate development.

The Glasgow directors of the North British gave specific instructions to the Canadian management concerning loans. Typically, the loan limits were conservative and safe. The maximum amount that could be advanced on any property was limited to $10,000. No funds were to be advanced on land already mortgaged; in other words, only first mortgages could be taken. Loans were not to exceed fifty per cent of the appraised valuation of the property, and borrowers had to insure their property in favour of the North British. Wooden buildings in villages and towns were unacceptable as security, for such security involved taking great risks in places where fire protection might be inadequate. There was provision for the length of the long-term loan maturities to vary considerably, but no loans to farmers could run for longer than ten years. Legal proceedings were to be commenced against any borrowers whose payments were more than two months overdue. Finally, all applications for loans required the approval of the Glasgow directors.

Scarthurth, however, did not always adhere to these rules in lending the company’s money. The directors naturally saw this as detrimental to sound business. They complained that some of the advances were too large and that too many did not carry adequate security. They were also uneasy about the mounting number of loans in arrears. To make matters worse, it was discovered that the North British had inherited numerous bad loans from the City of Toronto Permanent Building Society. Fortunately for the company, it had the resources to see the business through this difficult situation.

Gradually, Scarthurth and the board of directors worked out some of their differences on mortgage lending. For example, the directors occasionally relaxed the limit on the amount he could lend on farm land and real estate in order to keep up with the company’s major competitors in the investment industry. In general, however, they continued to insist upon a conservative approach. They knew full well that financial institutions which pursued aggressive rather

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14 MCIM, North British Canadian Investment Company, Minute Books, Board of Directors, 1, March 17, 1879.
than cautious lending policies often failed in hard times.

Although everything did not go right during the first three years of the company's business in Ontario, the shareholders were reasonably happy with the returns of their investment. Information on the initial dividends has not survived, but in 1878 the directors of the North British declared a dividend of $\frac{7}{4}$ per cent. The next half decade brought much the same annual returns.

In 1880 Scarth decided to extend the operations of the North British to Manitoba, through which the Canadian Pacific Railway was soon expected to run as it built westward. As new interest now arose in settlement in this province, he travelled to Winnipeg, the burgeoning capital, to set up a lending branch. Scarth had a sound claim to prominence by this time, because he was also the first Canadian commissioner for the Scottish Ontario and Manitoba Land Company and now began to build up business in land for that firm in Manitoba. Even though the directors of the North British lectured Scarth on the imprudence of establishing a branch in Manitoba at a time when the company was short of funds, it was not long before they became enthusiastic about the new lending venture. Bank borrowings in Scotland allowed them to approve a plan to lend a total of $100,000 in Manitoba upon first mortgages on agricultural land and real estate. Gradually the directors increased this sum, and by the end of 1881 it stood at $500,000. There was enormous demand for long-term credit.

By this time, the North British had also opened a second Manitoba branch, in Brandon which like Winnipeg was on the main line of the Canadian Pacific. The railway played a crucial role in the development of these urban centres and their regions. In a smaller but nevertheless important degree, the North British through its loans to farmers and businessmen also aided the maturation of the economy.

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17 MCIM, North British Canadian Investment Company, Minute Books, Board of Directors, 1, October 1, 1881.
Not surprisingly, the supply of money was much less in the frontier province of Manitoba than in the more advanced and diversified province of Ontario, and this affected the interest on credit. While the going rate of interest for the loans of the North British in Ontario was 7 per cent during the early 1880s, in Manitoba it was 10 per cent. In Manitoba's first period of remarkable expansion, the company clearly enjoyed handsome profits.

As should be expected in a rapidly expanding economy, land values became inflated. To protect the North British from the rise and fall of real estate prices, the Glasgow directors warned the company's Manitoba branch managers to avoid any unsafe loans. Clear though these instructions were, they did not always suffice to gain quality loans and secure the enterprise against loss. The difficulty of supervising the company's operations on the Canadian frontier from Glasgow was very real. Moreover, the depression of the mid-1880s severely shook the business. Many borrowers in Manitoba were in serious financial trouble and defaulted on loans from the North British. To complicate matters further, Scarth, who had numerous other business interests, was not giving enough attention to the company's affairs.

As the problems associated with the depression grew, the need for a reduction in the company's overhead charges in Canada grew as well. Since several members of the North British board were also directors of the Scottish Ontario and Manitoba Land Company, it was easy for them to explore the prospect of conducting their firms' affairs more economically. In 1884, the boards of the two companies agreed to recruit new top managerial talent and to reorganize and merge their managements in Canada while continuing to operate as separate firms. This was not unusual, for in the United States many Scottish investment firms in this period likewise coped with the problem of rising costs by sharing managers and sharing offices with other companies. 18

18 Wilkins, The History of Foreign Investment in the United States to 1914, 504.
At the head of the new consolidated management team in Toronto was Scottish-born James L. Scarth. He was the younger brother of W.B. Scarth, who now left the management offices of the North British and the Scottish Ontario to spend more time running the Canada North-West Land Company, a subsidiary of the Canadian Pacific with which he had been associated for several years. James L. Scarth’s appointment as the general manager of the North British and the Scottish Ontario was not unexpected, for he already had considerable junior management experience with the North British in Toronto. In Winnipeg, Alexander Bain, another Scot, became the team’s manager for Manitoba and the rest of the Canadian West. James L. Scarth and Alexander Bain, as the two new senior officers, proved valuable in guiding the progress of both the North British and the Scottish Ontario. Clearly, the consolidated management resources of the two companies offered a direct route to expense control in Canada at a time when economic conditions were unfavourable.

Like most other Scottish investment firms, the North British built a strong reserve fund to have money available for bad years. By 1904 the reserve fund totalled £27,000, equal to 27 per cent of the paid-up capital. It is significant in this context that the company’s carefully nurtured financial reserves helped offset shrinking profit margins. A revealing indication of the falling profits was the fact that the Glasgow directors had reduced the annual dividend to 5 per cent by 1889, and to 3 per cent by 1904. In typical Scottish fashion, their decision to budget systematically was carried out with great determination. It is beyond dispute that the company’s ability to survive the hard times of the 1880s and 1890s in Canada helped give it a good reputation among the shareholders and debenture holders in Scotland.

In the last two decades of the nineteenth century and the first of the twentieth, the North British succeeded in expanding significantly its share of the western Canadian mortgage lending market. The company also sold land and real estate taken at foreclosure and

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19 Provincial Archives of Manitoba (hereafter PAM), MG12, B4, Alexander Morris Papers, file 55, Glasgow, February 21, 1884, James Muirhead to James Maclellan; Manitoba Free Press, May 5, 1885; NAC, manuscript census of Canada, 1891, Winnipeg.

20 MCIM, North British Canadian Investment Company, Minute Books Shareholders, 1, Balance Sheet for 1904.
thus became a land developer, but providing long-term credit to farmers and businessmen remained its principal business. Settlers on the frontier needed sizeable loans for farm improvements and farm equipment. Equally, entrepreneurs in cities and towns needed extensive credit to develop their businesses.

By the late 1880s the North British was actively involved in making loans not only in Manitoba, but also in Saskatchewan, British Columbia and Alberta. The Company’s activities in the Calgary region offer a good example of its capacity to attract new business. While English and central Canadian capital in these years had a close grip on the lucrative cattle trade in this area, the North British enjoyed profitable operations in the Calgary mercantile community.

By 1887 the North British had more than $1½ million placed in Canadian mortgages. Two-thirds of this amount was in Ontario, and one-third was in the West. The proportion changed dramatically over the next two and a half decades. In 1911 the business had almost $1½ million in western Canadian mortgages, but only $52,000 in Ontario ones. Thus, the company largely turned away from the East to participate in the profits of the western boom. Even though the going rate of interest in the West had dropped to 8 per cent by the turn of the century, there was still money to be made in the region. In extending a great deal of credit to western farmers and businessmen, the North British also added significantly to the region’s growing economy.

The company’s expansion in western Canada had not come without an increased debt load. Drastic action was needed to ease the financial strain. In 1906 the Glasgow directors reconstructed the North British, writing its authorized capital down from £500,000 to £250,000. Much of its debt was paid off in the course of the reconstruction. By 1912, after considerable improvement in the company’s financial position, the annual dividend had risen to 6 per

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21 Calgary Land Titles Office, North British Canadian Investment Company, mortgage loans, 1886-1893.

cent.  

The reserve fund now stood at £50,000 which represented 50 per cent of the paid-up capital.

The North British had demonstrated a large degree of permanence by the 1910s. Public confidence in its management allowed it to continue to help fill western farmers’ and businessmen’s credit needs. As a source of profits, the company’s mortgage lending remained much more important than its land development business. If the quality of its loans occasionally left something to be desired, the stable interest rate of 8 per cent gave promise of increasing the strength of the enterprise. In Manitoba, still its principal field of operation, the company probably found itself in the attractive position of providing safe credit to many longstanding customers. At the same time, new lending opportunities were always available. The North British placed tens of thousands of dollars in farm loans in the more recently settled Saskatoon and Edmonton regions during this period.

With the bulk of the company’s business in the prairie West by the turn of the century and the death of James L. Scarth in 1902, it was a natural progression for Alexander Bain then to become the general manager for all of its Canadian activities. From his Winnipeg office, Bain made a profound impact on the company’s prairie operations, and by the early 1910s he had appointed agents in Edmonton and Saskatoon who lent on behalf of the firm in their respective districts. The Winnipeg staff effectively supervised all field activities in Manitoba, Saskatchewan and Alberta. Moreover, one of the Glasgow directors continued to visit the various loan districts from time to time. It was a tightly organized system, capable of making money for the North British.

In spite of losses on a number of its loans, the North British between 1912 and 1920 enjoyed a reasonable degree of prosperity in western Canada. Each year during this period it had $1½ to $2 million in mortgages in the region. As early as 1913 the company increased the dividend to 8 per cent, and in 1920 was able to raise

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23 MCIM, North British Canadian Investment Company, Minute Books, Shareholders, 1, Balance Sheet for 1912.

it to 10 per cent.\textsuperscript{25}

\textbf{THE SCOTTISH ONTARIO AND MANITOBA LAND COMPANY}

In contrast to the North British with mortgage lending as its main preoccupation, the Scottish Ontario and Manitoba Land Company was formed in Glasgow in 1879 chiefly to buy land and participate in land development in Ontario and Manitoba.\textsuperscript{26} It thus began as a land developer, but soon broadened the scope of its activities to include lending money on mortgages. Land development nevertheless remained its primary business until around 1912.

Of the five original directors of the Scottish Ontario, three were already on the board of the North British: chairman Robert Young and Samuel Gunn of Glasgow and Peter Sturrock of Kilmarnock.\textsuperscript{27} These men could immediately give the new firm the benefit of their knowledge of economic conditions and business opportunities in Canada. Among the directors of the Scottish Ontario as well was George Harrison, an Edinburgh merchant. Particularly significant for the firm’s operation was the prominence all these men enjoyed in the business life of Glasgow, Edinburgh and southwestern Scotland.

The founder capitalized the Scottish Ontario at £500,000 divided into £10 shares, making the new enterprise the same size as that of the North British. But by Scottish standards, the Scottish Ontario was not as cautious. Because £5 rather than £2 was called and paid on each share at the beginning, there was less uncalled capital as security for the debenture holders and for bank credit.\textsuperscript{28} Obviously, there was also less emphasis on borrowing in Scotland through debentures, the amount of which could not exceed the company’s uncalled capital. Quite clearly, the Scottish Ontario relied on shareholders’ funds to a considerable extent.

\textsuperscript{25} MCIM, North British Canadian Investment Company, Minute Books, Shareholders, 1, Balance Sheet for 1913, Balance Sheet for 1920.

\textsuperscript{26} NAC, RG15, Department of the Interior, vol. 260, file 3496 (no. 1), Ottawa, May 10, 1881, W.B. Scarth to John A. Macdonald.

\textsuperscript{27} MCIM, Scottish Ontario and Manitoba Land Company, Memorandum and Articles of Association, 1879.

\textsuperscript{28} Bancroft Library, CRO, Scottish Ontario and Manitoba Land Company file.
This proved a useful method of raising cash to provide working capital, for many of the company's early shareholders were people of wealth and influence. Two-thirds of the shares were held in Great Britain, particularly in Scotland.\(^\text{29}\) One third was held in Canada, especially in Toronto and largely by Scottish Canadians or Scots. The demonstrated capacity of the Scottish Ontario to thus tap the savings of individual investors in both Britain and Canada was certainly important to its progress.

In the year of its formation, 1879, the Scottish Ontario opened a branch in Toronto. As previously noted, the Glasgow directors appointed W.B. Scarth, a relatively small shareholder, as the company's first Canadian commissioner at the Toronto office. They named the Scottish Canadian Alexander Morris, former lieutenant-governor of Manitoba, Toronto judge and a very large shareholder, as the chairman of the company's Toronto advisory board.\(^\text{30}\) To this board they also appointed John McMurrich, the wealthy Toronto businessman who was one of the major shareholders. These officers provided forceful leadership.

The Scottish Ontario also found strong leaders for the Winnipeg branch, which it opened in 1880.\(^\text{31}\) It named the Scottish Canadian premier of Manitoba, John Norquay, as the head of the Winnipeg advisory board. The company chose the Scot Gilbert McMicken, an important federal government land agent, as its first agent for Manitoba.

In Ontario, the Scottish Ontario cultivated the land development business with vigour. For example, in 1881 it bought 120 acres of farm land in Rosedale, then outside Toronto, for suburban development. "We are laying out $30,000 in bridges and roads," wrote W.B. Scarth to Scottish-born prime minister John A. Macdonald, "& will make it the finest suburb of Toronto."\(^\text{32}\) The venture was success-

\(^{29}\) NAC, Department of the Interior, vol. 360, file 3496 (no. 1) Ottawa, May 10, 1881, W.B. Scarth to John A. Macdonald.

\(^{30}\) Ibid.

\(^{31}\) Ibid.

ful.

In the early 1880s the Scottish Ontario also deployed its capital profitably in real estate in western Canada, especially in the flourishing prairie towns and cities on the main line of the Canadian Pacific. Like other land firms, the company invested a great deal of money in the business districts of Winnipeg, Brandon and Regina. It also had sizeable interests in new residential developments in these young and rising communities. Many of the land purchases were simply speculations. The prospects of profit were most enticing, and the Scottish Ontario often held the properties for a short time and then sold them off at a huge markup.

But the Scottish Ontario was more than a speculator. As it sold off its lands, the company began to spend large sums in granting mortgages to the purchasers. There was no doubt that the mortgage facilitated the sale of its property. In the process, the company became an important creditor and land developer. Like many mortgage firms in Canada, the Scottish Ontario provided long-term loans so essential for real estate development.

By 1882 the Scottish Ontario was paying a 10 per cent dividend, and its shares were selling at a premium. The company was also building a substantial reserve fund for possible lean years and setbacks. As well, such capital at its command allowed the firm to continue borrowing on debentures.

Besides its interest in urban properties, the Scottish Ontario became intimately involved in a colonization scheme in Manitoba. The early 1880s were hard years for farmers in the Scottish Lowlands, and the Canadian prairies represented a possible solution to their problems. The Glasgow directors proposed "to send out bodies of agricultural emigrants, erecting houses for them and supplying them with seed, farming utensils, stock and one year's provisions." W.B. Scarth told the sympathetic John A. Macdonald "that my

33 MCIM, Scottish Ontario and Manitoba Land Company, Minute Books, Board of Directors, 1, January 14, 1885.


company is anxious & able to fill up so far as they can the Great North West & thus add to the benefits of your wise [national] policy."  

In 1882 the Scottish Ontario purchased from the Canadian government almost 29,000 acres of land at $2 an acre in the Bin- scarth area, northwest of Brandon and considerably north of the Canadian Pacific.  

The company assisted Scottish immigrant settlers in starting to farm, and established the Binscarth Colony Farm on which it raised purebred and prize-winning Shorthorn cattle. However, the Scottish Ontario sustained heavy losses on the Colony Farm operation during the difficult mid-1880s. In the early 1890s, the company sold the Colony Farm but did not get its investment returned from this project. Partly because of this failure, the Scottish Ontario had to pass dividends for many years.

During the economic disarray of the mid-1880s, a mixture of bad and good news concerning land values came from Alexander Bain, the manager of the Scottish Ontario in Winnipeg. To Alexander Morris, the company’s Toronto advisory board chairman who was personally involved in land speculation in and around Winnipeg, Bain wrote: "your land was at one time worth $10 per acre, but I think $5 to $6 would be a good price now."  

On the other hand, it was sometimes possible to pick up very cheap property. "Good land," Bain reminded Morris, "can be purchased now occasionally at $1 per acre upwards. Some half breeds who did not sell before have sold recently at low prices. I know of sales at 50 cents per acre, fairly good land within 20 miles of Winnipeg, but these are of course exceptional."  

Bain naturally did not neglect to buy good, low-priced farm land in Manitoba for the Scottish Ontario when an opportunity presented itself.

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36 NAC, John A. Macdonald Papers, vol. 261, Toronto, April 21, 1882, W.B. Scarth to John A. Macdonald.


Indeed, Alexander Bain could drive hard bargains. He was a strong and self-reliant man, with remarkable faith in himself, in the Scottish Ontario and the North British, and in Canada. "I have no fear as to the future," he wrote Morris in 1886. "The country and Winnipeg with it must go ahead. If I thought otherwise, I would not remain here, as I should be only throwing away so many years of my life."[40] He wrote thus confidently, but the agricultural land business in his office was in fact slow.

By the middle of 1888 Bain could speak of a more active farm land market in Manitoba. "I have been very busy," he reported to Morris, "and begin to be afraid I shall have to ask the companies [the Scottish Ontario and the North British] for more help, though I know how necessary it is to keep down expenses."[41] This came just after Bain had sold 800 acres of farm land for the Scottish Ontario, and 960 acres for the North British. Purchased at an average price of $2 an acre, this land had yielded from $4 to $6 an acre. At the end of 1888, Bain reported profits of $6,000 on land sales in Manitoba for the Scottish Ontario over the year.

The careful attention the Canadian management and the Glasgow directors gave to the year-by-year changes in the economic environment during the last one and a half decades of the nineteenth century helped keep the Scottish Ontario in business. By the 1890s, agricultural land development in Manitoba had become the company's main source of income in Canada. Annual farm land sales in Manitoba rose from 1,000 acres in 1892 to 7,000 acres in 1897; they soared to 17,000 acres in 1898, and then dropped to 11,000 acres by 1902.[42]

But in this period there were no net profits available for distribution to the shareholders of the Scottish Ontario. Frequently earnings were too low to cover the payments for the company's debt


obligations. Moreover, the financial reserve had become inadequate and small relative to the size of the firm. To raise more funds, the Scottish Ontario had from time to time sold tens of thousands of dollars worth of mortgages to the North British. But this was not enough to solve the financial problems of the Scottish Ontario.

Between 1902 and 1908, the Glasgow directors of the Scottish Ontario gradually reduced the company capital from £500,000 to £150,000, thereby easing the burden of fixed charges. From here improvement started. By 1911 the reserve fund had grown significantly. Dividends had reappeared in 1908, when the board had declared one of 10 per cent. From 1908 to 1914 the profits were large enough to pay a dividend at the same rate. Although the directors had to drop the annual dividend to 8 per cent in 1916, they were able to maintain it at this level until after the First World War.

An important factor in the recovery of the Scottish Ontario was the directors’ decision, in 1911, to diversify directly into mortgage lending in Manitoba and the other prairie provinces. In Winnipeg, general manager Alexander Bain promoted this new policy in a vigorous and systematic way. He realized that the ending of the settlement boom had created a threat to the company’s land development business. By 1913 mortgage lending, especially on farm property in Manitoba, was the principal source of profits for the company. Its mortgage business was no longer an adjunct to the ongoing land development operations in rural and urban communities. After the war the company’s earnings arising from farm land sales increased again, but they never became as significant as its mortgage business returns. In 1919 the Scottish Ontario had approximately $775,000 in mortgages in Canada, and most of this amount was in the West.

CONCLUSION

In sum, the new evidence presented here shows that Scottish


44 MCIM, Scottish Ontario and Manitoba Land Company, Minute Books, Shareholders, 1, Balance Sheet for the year 1919.
investment in Canada in the late nineteenth and early twentieth centuries was highly significant. Conclusions about Scottish investment in dollar terms require caution, but the historical record reveals that millions of dollars entered the prairie West through Scottish mortgage lenders, realtors and land developers. More research is needed to document all the Scottish capital in the country. As we have seen, the North British and the Scottish Ontario were only two of the important Scottish intermediaries that provided channels for capital inflows. Others that served as conduits for the movement of Scottish money into the Canadian prairies included the North of Scotland Canadian Mortgage Company. The liveliness of all this financial activity was remarkable. Scottish participation in western economic development, then, was clearly larger than has usually been acknowledged.  

A striking feature of the Scottish Ontario and the North British was their long-term commitment to regional development. Even though their resources did not always match current requirements, they operated successfully in the Canadian West as individual firms until the late 1920s, and after that for many years as part of a larger Scottish concern. Over the decades, they demonstrated their ability to cope with the cycles of boom and bust in the prairie economy.

The North British and the Scottish Ontario are important examples of direct Scottish investment in Canada. As such they became very active in developing Canadian farm land and urban real estate, particularly on the prairie frontier. They contributed significantly to the growth and maturity of the regional economy, in addition to blending easily into the Canadian business environment. Despite their involvement in land speculation, the Scottish Ontario and the North British were not merely speculators. These companies through their connections to the financial world played a major role in making the land they controlled productive. There was little, if any, negative public reaction to their presence in the country. Prairie farmers and entrepreneurs needed substantial long-

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45 My research supports Alan R. Turner's view that "the Scottish presence was still evident in the colonial and provincial institutions which superseded the fur trade hegemony, and Scotsmen were influential in public programmes for settlement and development of the West, as well as in the direction and financing of private enterprises related thereto." See his essay, "Scottish Settlement of the West," in W. Stanford Reid, ed., The Scottish Tradition in Canada (Toronto: McClelland and Stewart, 1978), 76.

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term loans to develop their businesses. In gradually expanding their loan capacity in the region, the North British and the Scottish Ontario increasingly helped satisfy these credit needs.

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