

**"Insuring Against Every Man", An Economic and
Social History of The Guarantee Company
of North America, 1871 - 1919.**

by



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Abstract

The Guarantee Company of North America commenced business in 1872. It dealt solely with the fidelity bonding of workers in positions of trust in other firms. Its business embodied the growing contradiction between the members of the capitalist class and the expanding white-collar work force. As an institution designed to protect the employer from absconding clerks, it undertook the education of these workers in the proper work habits and discipline necessary for the new economic order.

The Guarantee Company was controlled by those who sat on its board of directors. These members were intimately tied to the development of finance capitalism at the turn of the twentieth century in Canada. This process involved the merging of industrial and financial capital into integrated units of production, controlled from a central point of power. The Guarantee Company became associated with one centre of corporate power- the Bank of Montreal group. As such, the history of the Guarantee Company reflected the objectification of bourgeois economic control and hegemony in the developing Canadian society between the years 1871-1919.

Resumé

La Guarantee Company de l'Amerique du Nord fut mise sur pied en 1872. Cette société s'occupera essentiellement de l'emission d'obligations (fidelity bonds) chez les travailleurs en position de trust. Ca raison d'être répondait a la contradiction croissante entre les membres de la classe capitaliste et masse grandissante des cols-blancs. En tant qu'institution conçue pour protéger l'employeur des comptables et commis fugitifs, elle s'employa à parfaire l'education de ces travailleurs pour l'achèvement d'une discipline et d'habitudes de travail conformes au nouvel ordre économique.

La compagnie était entièrement controlée par les membres du conseil d'administrations. Ceux-ci furent intimement liés au développement de capitalisme financier du Canada au tournant du XX^e siècle. Ce processus donna lieu à la fusion du capital industriel et du capital financier en des unités productives intégrées et placées sous la tutelle d'une autorité centrale. La Guarantee Company devint alors associée à l'une des puissances corporatives dominantes, nommément le noyau de financiers de la Banque de Montréal. En tant que tel, l'histoire de la Guarantee Company est le reflect fidèle de l'objectivation du contrôle et de l'hégémonie économique dans le développement de la société canadienne de 1872-1919.

Table of Contents

	<u>Pages</u>
Introduction	1-16
Chapter One - Establishment and Organization of The Guarantee Company of North America	17-50
Chapter Two - The Guarantee Company of North America and the Development of a Canadian White-Collar Work Force	51-85
Chapter Three - The Guarantee Bourgeoisie and Its Relationship to Canadian Finance Capitalism	86-114
Chapter Four - A Critique of the Structuralist and Entrepreneurial Schools of Canadian Business History	115-140
Conclusion	141-144
Bibliography	145-150
Appendices	

Introduction

The history of The Guarantee Company of North America began with the disposal of European Assurance Society's guarantee business in Canada in 1868. The Insurance Act of 1868 required that each insurance company deposit \$50,000 with the Receiver General, in Ottawa, for each type of insurance carried out in the country.¹ In a letter from the General Manager of Head Office in London, to Edward Rawlings, the company's agent in Montreal, we read that the government's act precipitated the Society's action -

The Home Board have resolved "that as the act comes into force on 1st August next steps be immediately taken for closing the Branch in Canada on the most advantageous terms ... as the Board at home would not be justified in incurring an expenditure which the continuance of the Guarantee Branch would entail for such revenues as that branch under the most favourable circumstances would yield."²

The London Company sold its business to Sir Hugh Allan's Citizen's Insurance Co., the only Canadian company in the field.³ Edward Rawlings, the former agent of the company went to work for the Citizen's as its general manager. Another English company, the London Guarantee and Accident Assurance Company, established a guarantee branch in Montreal in the early 1860's. The company went into receivership in late 1871,⁴ and it was six months later that the Canada Guarantee Company was established.

Little information remains of these English companies' operations in Canada. Records of the London Guarantee and Accident Assurance

Company are deposited in the Phoenix Assurance Company archives and those of the European Assurance Society in the Commercial Union Insurance Company, both of London, England. The archives contain little information on the nature of their branch business in Montreal. Minute books of Head Office meetings remain for both companies. However, little information was gleaned from these sources as few references were found concerning their activities in this country. The Colonial correspondence books for the European Assurance Society remain and from this a little information was derived. The European Assurance Society leased its offices in the Bank of Montreal building on St. James street.⁵ William Workman sat on the local board and the firm bonded some employees of the Grand Trunk Railway,⁶ the Bank of Montreal and the Bank of British North America.⁷ Salaries were determined in London and shares sold to local personages.⁸ Information on the number of workers bonded, rates charged, or premiums received do not exist in the correspondence nor the Minute Books at Head Office. Aside from William Workman, the Montreal local board members remain unknown. Local directories of the period did not record this information.

English companies were the first companies to undertake fidelity or guarantee bonding in Canada. With the departure of the two English companies by the early 1870's, only the Citizen's Insurance Company undertook this type of insurance in Canada. The Citizen's Insurance Company, however, undertook little guarantee insurance business. Premium income in the 1870's never amounted to more than \$5,000.⁸

or twenty per cent of the entire guarantee sector premium income transacted in Canada during the decade.⁹ The company was involved in fire, life, and accident insurance as well as guarantee. In 1880, the Monetary Times launched an attack on the business practices of the company,

.... in 1872, we dared to suggest that the Company could not safely or properly do the various businesses of fire insurance, life insurance, accident insurance, and fidelity guarantee with a paid-up capital of \$10,000 in cash with no arrangement for separation of funds for the various departments.¹⁰

In 1880 the situation had not changed very much. Only \$52,919 of paid-up capital was recorded to carry over \$12,000,000 of risk under the various departments of the company.¹¹ The Citizen's Insurance Company responded by issuing a circular in March of 1880, listing the number of "respectable" shareholders ready to back up the company if trouble were to occur. But as the Monetary Times quipped,

The World has had experience enough of the danger of trusting to mere names, even the addition of some of the old world titles. Stocks can be transferred in the hour of danger or in the face of disaster; and where there was left an hour before apparent strength nothing but weakness left.¹²

To underline its financial weakness, the Citizen's began negotiations with the Guarantee Company in December, 1881, the latter taking over its guarantee business. In January of 1882 an agreement was reached. The Guarantee Company paid the Citizen's \$3,000 and assumed all its business dated to December 31, 1881. The Guarantee Company accepted liability for any claims made on the Citizen's before that date. Any claims made after, for illegal actions taken by bonded employees before

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December 31, were assumed by the Citizen's.¹³

Edward Rawlings left the Citizen's in 1871, and with the assistance of William Workman (the two had worked together at the European Assurance Society), brought together a group of Montreal capitalists and formed the Canada Guarantee Company. The company changed its name to The Guarantee Company of North America only after its expansion into the United States in the early 1880's. The Guarantee Company transacted only fidelity guarantee insurance. Previous to the formation of these companies, the bonding for the faithful performance of a contract was confined to personal suretyship. One man would guarantee the honesty of another, the fulfillment of a contract agreed to by one firm with another, or the release from custody of a person through bail bond. With the establishment of corporate suretyship, what had been a gratuitous act, was redefined to conform to the basic incentive of capitalist organization - the profit motive. Institutions were established to protect the capitalists from the theft of their employees. These institutions turned the reality inside out, upside down and received a fee for it. The theft of the capitalist from his workers was completely ignored in this formulation. Having denied the workers any political responsibility in their place of work, the capitalists required that they, the workers, pay a premium for their "honesty." A worker proved his/her honesty by contributing a part of his/her wages to the Guarantee Company's income statement. The Guarantee Company, and all fidelity companies, provided a "necessary service" to the developing capitalist economic

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institutions by insuring the honesty of the workers within. In a sense the Guarantee Company symbolized the contradictions of the capitalist system. Workers could not be trusted with the money that passed through their hands. Absconding with the company funds was only possible in an environment where greed and exploitation of one's fellow man were the basis of all social organization.

The Guarantee Company, as such, embodied the reality of class-conflict and class-interests. Commissioned, as a legal entity to exploit the labour of others, the Guarantee Company's major source of revenue were the premium payments paid to it by the white-collar workers employed by the developing capitalist corporations. The large growth in numbers of white-collar workers, at the turn of the twentieth century, was in part, made necessary, by the first principle of capitalist social organization - the "inherent" dishonesty of the other capitalist. The laborious tasks of the white-collar worker of adding, subtracting, multiplying and dividing the costs of capitalist exploitation was the *raison d'être* of their existence. Every company kept its own set of books, minutely recording any exchange over the appropriated social production of the society. Guided by the profit principle, each capitalist undertook this recording of exchange, as the books of the other capitalist were deemed invalid within the rules of organization established by these institutions.

Educating the white-collar worker in the proper work habits and discipline, was of necessity, a major function of the Guarantee

Company activities. The worker had to be moulded to meet the capitalist work processes. If the worker could not be trusted, then the payment of a premium to the bonding company would settle the issue. The responsibility of shaping this new group of workers was delegated, in a sense, to the guarantee companies. It was in their interests to prevent theft from employers by employees, and the Guarantee Company was keenly aware of it. Pamphlets, circulars, and memos emanated from its offices defining the moral basis of this new capitalist work discipline. Only those of sound financial background, and good moral fibre, were to benefit from its services.

Chapter One concentrates on the organizational developments of the Guarantee Company. Founded in 1872, the company first set about its business of bonding bank clerks, railway clerks, insurance clerks, government workers and express company workers from its base in Montreal. By the mid-1870's branch offices were established across Canada and in the early 1880's local boards of directors were founded in the United States and Canada. An administrative framework was established, wherein, all of these branches came under the supervision of Head Office in Montreal. The development of bureaucratic techniques did not precipitate the company's entry into these areas.¹⁴ Rather they were formulated to rationalize the structures required to expropriate premium payments from the growing staffs of the expanding offices in Canada and the United States.

The basis of the company's revenue were the payments made to it by

the white collar workers of Canada, the United States and later Mexico and Great Britain. Mystification of its function as a profit-seeking institution required that the men involved in directing its history put forward its functional activity as a business designed "to service all Canadians." Just how this was realized, those in control never explained.

The growth of the white-collar work force in Canada at the turn of the twentieth century provides the focus of chapter two. These workers were the prime target of Guarantee Company propaganda indoctrinating them with the new work discipline necessary for the efficient functioning of these institutions of capital accumulation. A great number of clerks were employed in non-productive sectors of the economy - i.e. banks, insurance companies, trust companies, etc. As such their work experiences centred around the high desks on which large ledger books were kept, assiduously recording the transactions of the day. They worked at them until the books balanced down to the last penny. This produced its own share of discontent among the workers. The lack of any material describing the Guarantee Company's attitudes and relationship to the work place, or any indication of some small input, save the retirement of a worker after a long period of service in the minute books, reflects the underlying basis of capitalist work organization. The sole remaining signs of the workers' experiences and lives at the company are to be found in the very primary sources found in its archives. Every number recorded in twenty-six volumes of ledger books numbering close to a thousand pages each, testify to the workers' contribution to the functioning

of the firm. The precise recording found in the minute books, the finely written letters, the careful recording of the clients' policies bonded by the company made the payment of dividends possible to the company shareholders. But that is all that remains of their story, suggesting that indeed the history and "success" of the Guarantee Company would not have been possible without them. If it were not for the salary books from which their monthly wages were recorded, they would have all remained unknown.

The propaganda pamphlets of the company give testimony that the realization of the new "work ethic" did not go by without worker response. The Guarantee Company would not have been possible without this conflict. If workers were not "idlers," "crooks" and "immoral," then there would have been no premium payments, no dividends, no profits, no masters. But such was not the case, and the Guarantee Company drew sustenance from this reality. The Company and its client companies set the standards by which the workers were judged, tried, and bonded.

Mention is made of the development of a labour aristocracy in Canada at the turn of the twentieth century. This is a question which has received scant attention in Canadian working-class historiography. Suggestions are made that the white-collar workers, as a group, belonged to this "categorization". But these are merely suggestions of a possible method of analysis. It is, however, an important area of debate if we are to understand the development of this aspect of the Canadian working class, if only because they were perceived by other workers as a

privileged group of workers.¹⁵

The Guarantee Company was the expressive creation of the capitalist, sanctioned in law by the Canadian state. As the creation of the capitalist, it was his and those of his class to control. This is the topic of the third chapter. Based on the number of shares held in the company, membership on the board of directors became the active vehicle through which this control was exercised. Names such as Sir A.T. Galt, James Ferrier, Sir Vincent Meredith, and Baron Thomas G. Shaughnessey are the most recognizable members of the board. They, in conjunction with other board members, throughout the period, and Edward Rawlings, general manager, president, and after 1888 largest shareholder, gave direction to the company's financial history. The company became an integrated part of a larger, ever expanding unit of capitalist production- the Bank of Montreal group. Expanding its control in the 1870's and 1880's, the 1890's witnessed the emergence of finance capitalism centred around the Bank of Montreal, the Royal Bank, and the Canadian Bank of Commerce. Each representing competing groups of capitalists, corporate linkages through control of board directorships defined these capitalists as the leading members of the bourgeoisie. The merging of financial and industrial capital, defined a group of capitalists whose power over the economy was both quantitatively and qualitatively different than that possessed by other elements of the bourgeoisie. The Guarantee Company became identified with the Bank of Montreal as its centre point. But this was not done at the exclusion of other groups. All business

was accepted by the Guarantee Company as long as premium payments were received, the source was not differentiated.

The position of the Guarantee Company within the Bank of Montreal group, and its relationships with the other business groupings of the day gave it an identity and a steady stream of clients. Guarantee insurance was a necessary corollary to the development of large units of production employing workers in so-called positions of trust. But it was not a leading sector in terms of capital accumulation. A comparison of premium payments received between life and guarantee insurance underlines this point.

Table I¹⁶

Comparison of Life and Guarantee Premium Income.

<u>YEAR</u>	<u>Life Insurance</u> <u>Total Premium Income(\$)</u> <u>(a)</u>	<u>Guarantee Insurance</u> <u>Total Premium Income(\$)</u> <u>(b)</u>	<u>% b</u> <u>a</u>
1875	2,882,387	-----	--
1880	2,721,138	59,865	2,2
1885	4,619,978	58,914	1,3
1890	8,004,151	66,540	1,4
1895	10,292,354	76,379	0,7
1900	15,006,941	103,254	0,7
1905	22,080,717	194,374	1,0
1910	29,771,903	298,940	1,6
1915	45,106,678	730,138	1,5
1919	74,690,527	1,138,882	1,5

In comparison to life insurance Table I shows that guarantee insurance was not a leading area of capital accumulation within the insurance sector. Premium income indicates that even at its most favourable period,

it never went much above two per cent in comparison to life insurance. (Comparison of the assets of these institutions, another indicator of their relative position with each other was not possible, as guarantee insurance in many cases was simply a branch of companies undertaking other forms of insurance).

The position of the Guarantee Company in this field changed rather substantially over the period. This is shown in Table II.

Table II¹⁷

Guarantee Company Canadian Premium as
a Percentage of Total Guarantee Insur-
ance Premium Income.

<u>YEAR</u>	<u>Total Premiums</u> <u>Guarantee Insurance</u> <u>(a)</u>	<u>Total Premiums</u> <u>Guarantee Company</u> <u>(b)</u>	<u>% b</u> <u>a</u>
1875	-----	\$29,831	--
1880	\$59,865	46,227	77
1885	58,914	44,477	75
1890	66,540	38,849	58
1895	76,379	31,047	41
1900	103,254	26,844	26
1905	194,374	34,961	18
1910	298,940	43,155	14
1915	730,138	61,431	8
1919	1,138,882	107,450	9

Until 1895 the Guarantee Company controlled over fifty per cent of the business carried out in guarantee insurance. Its steady decline to nine per cent of the Canadian market in 1919 was partly offset by its premium income from the United States and elsewhere. From 1880 to 1895 there were three companies transacting guarantee insurance in Canada,

the Guarantee Company, the Citizen's until 1882, and the London Guarantee and Accident Assurance Company (which resurrected and opened another branch in Montreal in 1880). In 1885 the American Surety Company established a branch in Montreal. The number of companies rose to more than ten in 1907 and twenty-one in 1919. Most of these companies were either British or American in origin. The London Guarantee and Accident Company, in competition with the American Surety Company and the United States Casualty and Fidelity Insurance Company were either one, two or three in terms of total premium income in the years between 1903 and 1919. The Guarantee Company in this period never slipped below the number five position, its share of the market while falling, premium income remained stable and even began to rise after 1915. Thus despite the relative small scale of the guarantee insurance sector to the life insurance sector, in terms of amount of capital accumulation possible, these companies provided at once another centre where the capital appropriated from the workers was institutionalized.

Implicit in this study is a rejection of two time worn and bankrupt approaches to the writing of business history. This is the subject of the fourth chapter. The structural or institutional approach as expounded by E.P. Neufeld in his The Financial System of Canada, Its Growth and Development, is one approach in the study of business history. In this approach, institutions are presented as the makers of history, almost totally devoid of any human content. Neufeld's study provides a comprehensive quantitative analysis of the developing financial sector. The

work stands out as a very important contribution to the study of these institutions. But in its concentration on the institutions of capital accumulation, and sectorial growth and development, it obfuscates what was the prime agent of capitalist development, the capitalist in search of a profit.

The entrepreneurial school, however, concentrates its analysis on the individual who through his own "genius" made history. Whether a "pioneer backwoodsman" or a "professional engineer by training" the focus of attention for this school rests either on the cultural background of the capitalist or the "innovative" aspects he brought to his business activities. The differences in the two schools rest not in the problematic but in the methodology employed and view of the dialectical relationship between the developing economic system and the men actively engaged in its creation.

This is the point of departure from which this thesis has been written. Only by examining those who controlled the Guarantee Company and those who worked within it, can an understanding of this and other institutions of capital accumulation be accomplished in any meaningful sense. As such the Guarantee Company provides a unique study where the expansion of a sector of the working class, the white-collar workers, resulted in the institutionalization of an activity (fidelity bonding) to meet the critical demands of capital. The Guarantee Company was intrinsically involved in the accumulation of capital and the realization of profits. This was the prime motivation behind those members of the

bourgeoisie who "made" its history. It also incorporated an explicit educative function wherein, the workers it bonded from other corporations, as well as its own, were "harnessed" and "informed" of the new capitalist morality and work ethic. The "history" of the Guarantee Company, as such, expresses the inherent contradiction between bourgeois and worker. The worker was brought to the new burgeoning offices, without a means of political control over the direction of the work processes, established and controlled by the capitalist class - the exploiters. It is a supreme irony of capitalist development that those who toiled and received a wage less than they were entitled, were required to have a bond guaranteeing their "honesty", an insurance against

'Every Man': If your conscience is clear with your employer, who trusts you, keep it so if not, make it so, by going to him before it hurts both and is irreparable, and he may be merciful.¹⁸

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The writing of this thesis would not have been possible without the assistance of the following people. I would like to thank Mr. George A. Savage, President of The Guarantee Company of North America, through whose kindness and openness allowed me complete and total access to the records relating to its history gathered and stored in the company's offices. To Mr. Michael Harris, Communications Officer of the Commercial Union Assurance Company and Mr. A. Hogan of the Phoenix Assurance Company, London, England, for the materials provided relating to the early history

of guarantee insurance in Canada. And Mrs. P. Miller, archivist at the McCord Museum, Montreal.

The topic of this thesis emanated from a seminar on the history of Montreal, directed by Professor Brian Young, whose kind suggestions and advice were duly appreciated. Most of all I wish to thank my thesis supervisor, Professor Richard Rice, whose friendship, loyalty, insightful comments, and thought provoking ideas have contributed so much to the writing of this thesis.

To my friends and comrades of "Cell 638". Over the years we have engaged in many debates and struggles, resulting in a lasting bond of unity among us. We may not have been always successful in our struggles, indeed, the victories were few, but the friendships cultivated have lent inspiration and satisfaction through my stay at McGill. I am honoured to be able to call you my friends and comrades.

To the patience and dedication of my typist whose request for anonymity shall be respected, your dedication and skills as an historian are only overshadowed by our friendship. A special place is reserved for my parents and brother whose support and understanding made all of my studies possible. Your patience and help is deeply appreciated. And finally, to The Guarantee Company of North America workers, past and present, to whom this history is dedicated.

Footnotes - Introduction

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2. General Manager, European Assurance Society (EAS) to Edward Rawlings, June 13, 1868, Colonial Correspondence, Phoenix Assurance Company Archives, London, England.
3. IBID., December 17, 1868, p.432.
4. The History of Fidelity Guarantee, Report of the Insurance Institute of London, London, n.d.
5. General Manager, EAS, to Edward Rawlings, December 2, 1865.
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7. IBID., March 3, 8, 1866.
8. IBID., June 22, 1867.
9. Sessional Papers, "Insurance Reports", 1870-80.
10. Monetary Times (MT), March 12, 1880.
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12. IBID., March 12, 1880.
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14. A.D. Chandler, The Visible Hand: The Managerial Revolution in American Business. (1977), p. 10 passim.
15. J. Foster, "British Imperialism and the Labour Aristocracy", in J. Skelley, ed., 1926, The General Strike. (1976), p.4.
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17. IBID.
18. "No Heritage is So Rich as Honesty", GCNA pamphlet, Ed. Rawlings Papers, McCord Museum.

Chapter One - Establishment and Organization of The Guarantee Company of North America

The history of The Guarantee Company of North America began in 1852 when a charter was issued by the Province of Canada to establish a surety company styled, the Canada Guarantee Company. It was not until 1872 that the charter was put into effect and in 1881 the name was changed to its present, The Guarantee Company of North America. What follows is an analysis of the early attempts by the Guarantee Company's board to effect an organizational structure for the carrying out of surety bonding within the framework of the company. The second section will be concerned with demonstrating the basis of the Guarantee Company's premium and interest accounts, the two major revenue sources of the company. Section three attempts to show the ideological connotations implicit and explicit in the formation of the company. Minute books of the meetings of the board of directors and annual reports, supplemented by whatever existing correspondence concerning the company have been utilized in discerning the organizational structure of the company in the period 1871-1919. Minute books and the annual reports to 1900 are more detailed and explanatory in nature of the "political" history of the company. Afterwards the minute books become much more sketchy, concerned primarily with the recording of the transfer, sale or acquisition of stocks and bonds. The emphasis in these books after 1900, concerned the company's deposit of suitable amounts of bonds and stock to meet various governmental

regulations in the United States (on a state level in particular) and Canada. The sale of its own stock was also duly recorded. The expansion of the company outside of Montreal occurred in the period before 1900 and as such its "political" history in that period assumed more importance (or so it was apparent to those recording the minutes of the board meetings). As well the minute books were replete with discussions of the transfer of powers of attorney and the recording of deaths of members of local boards across the continent. References to clients bonded by the company were made, it would seem, when there was conflict within the company's bureaucracy, or if they were of a particular large amount. The Annual Reports of the company were much more detailed before 1900, but were primarily a summary of the minute books - with the financial statement of the company being the focus of attention. Afterwards the financial statement remained, but, as in the minute books, the "political" history is much more sketchy. Newspaper reports (the Gazette (Montreal), the Monetary Times, and the Chronicle, a Montreal newspaper specializing in insurance news) on the history of the company were far more numerous before 1900. Afterwards, possibly because of small level of business undertaken by the company when compared to the total insurance sector, the news "worthiness" of the company may have been diminished. Or it may have been a reflection of the quiet "political" developments of the company. Reports on the company after 1900 consisted primarily of recording the financial statement found in the company's annual reports. Even the sale of the company's subsidiary in 1919 received only scant notice in the

business press of the day.

The internal organization of head office and the company in general, was determined by various by-laws recorded in the minute books of the company. The application and realization of these directives from the board of directors seem to have changed but slowly from the early 1870's. In the 1920's and 1930's a re-evaluation of the company's internal organization was undertaken, partly as a result of the company's entry into new types of insurance. This may indicate that if any major changes were realized before 1920, they would have been recorded in the minutes. The overall organization of the branches of the company outside of Montreal were patterned after those established for head office. Financial statements were sent monthly to head office, and disputes focussing on staff in the various branches received attention at head office. But little else remains concerning the day to day operations of the branches, whether in Canada or in the United States.

As well, little evidence remains concerning the Guarantee Company's American subsidiary, the United States Guarantee Company (established in 1889). Yearly business is recorded in the minute books of head office, but as it was a separate company, or as a result of a bureaucratic overlap (the general manager in Montreal, Rawlings, was president of the subsidiary) no other records remain of it in the Guarantee Company archives. As well, Chubb and Son, the present parent company of the old United States Guarantee Company, has not kept any of the records of the company relating to business before it took over in 1919.

Detailed evidence as to the number of employees guaranteed by the company in any year is non-existent. Complete lists of companies bonded remain for only two years, 1881 and 1911. The thirty-year gap between those two years does make it possible to determine changes in clientel bonded by the company over time. Pamphlets remain, in the Guarantee Company, listing claims paid out, but no systematic analysis is possible other than a comparison of the trends found in the companies bonded in 1881 and 1911. Lists of persons in the bonded companies do not exist in the Guarantee Company's archives, thereby limiting any in-depth analysis of the social changes brought about by the rise in clerical worker numbers at the turn of the century. It is clear, though, as will be argued, that the bonding of clerks was, indeed, the major preoccupation of the company's business. This evidence was gathered primarily from the minute books. This chapter, then, shall emphasize the basis of the Guarantee Company's business, its organizational developments, and its sources of income.

Finally, the papers of Edward Rawlings, found at the McCord Museum (McGill University) have facilitated the writing of the section on the ideological aspect of the development of guarantee insurance. The company, in its pamphlets (found in Rawlings' Papers), proposed certain justifications for its creation and continued role in the Canadian economy. I would suggest that another interpretation may be made.

* * *

Establishment of the Canada Guarantee Company

Six months after the London Life and Guarantee Company ended operations in Canada a group of Montreal businessmen met in the offices of the Molson's Bank on April 9, 1872, to discuss the formation of a guarantee fidelity company. This meeting was attended by Sir Alexander Tilloch Galt, William Workman, Philip Durnford, John Rankin, James Rose, William Weir, J.C. Hatton, and Edward Rawlings. The establishment of the Canada Guarantee Company was proposed taking advantage of a dormant charter issued by the Provincial Government in 1851, wherein these businessmen formed

a Guarantee Company, for the purpose of interposing their guarantee for the integrity and faithful accounting of Public Officers and their Deputies, Managers, Secretaries, Cashiers, Collectors, Receivers, Clerks and other persons of reputation..
...

The original incorporators in 1851 were Peter McGill, Alexander Simpson, Joseph Wenham, William Workman, Ferdinand MacCulloch, Charles S. Ross, David Davidson, Benjamin H. LeMoine, and Philip Durnford. In 1872 only two of the original incorporators remained, William Workman and Philip Durnford, and it was left to Durnford to undertake the legal procedures necessary to have the Company pass into the hands of the new shareholders.²

By the terms of the charter of 1851 the company was established as a body politic carrying on business concerned solely with fidelity guarantee. The capital stock of the company was set at £125,000 or \$500,000 divided into ten thousand shares of £12/10/- or \$50 each. Voting at shareholder meetings worked on a sliding scale so that anyone

with from one to five shares had one vote; anyone from six to fifteen, two votes; etc., until those with over one hundred and twenty-five shares could cast a maximum of ten votes.

On April 10, the shareholders of the Company gathered again at the Molson's Bank to undertake the organization of the company. William Workman announced to the gathering that although the capital stock of the company was authorized at \$500,000 that only \$100,000 had been issued. Working through the City Bank, of which Workman was President,³ a certificate from the Cashier of that Bank stated that upon the first call of 10% on the shares issued, \$50,050 had been duly collected and deposited with the Receiver General.⁴

The order of business then turned to the selection of a Board of Directors. Following a unanimous vote, Sir Alexander T. Galt, R.J. Reekie, D.I. Macdougall, John Rankin, Edward MacKay, James Rose, John Molson, D.W. McInnes, and James G. Ross were selected to the Board.⁵ The next day Sir A.T. Galt was selected President, John Rankin elected Vice President, and the former agent of the European Life and Guarantee ^{ASSURANCE} Society Company, Edward Rawlings, manager. The Bank of Montreal became the company's chief banker, and J.C. Hatton of the firm Carter and Hatton, the Company's solicitor.⁶ Selkirk Cross became the company's solicitor in 1891,⁷ and Davidson and Wainwright in 1901.⁸

The shareholders voted members to the Board of Directors, who then selected a President and Vice President. The Board retained sole power to appoint the manager and all employees of the Company. The directors were given full power to accept or reject all guarantee proposals and

also fix the general rates and conditions on which guarantee agreements were to be taken by the Company. They also determined the various rates of the dividend and its payment schedule. The charter further specified that a "Shareholders Fund" be established wherein at least \$50,000 worth of securities, either of government bonds or any other chartered organization, be kept in reserve. By the Insurance Act of 1868 this reserve fund was deposited with the Receiver General.⁹ The company was allowed to establish branches and agencies, own land, and borrow money on mortgages. Shareholders were liable to twice the amount of their subscriptions.¹⁰

On April 12, 1872 the company's Board of Directors adopted a set of by-laws defining the role of the Board, the various officers and the manager of the company - which rules were confirmed in the minute books of the company in its day to day activity. The Board of Directors had total power of supervision and control over the affairs of the company. They determined the rates of premiums, the forms of policies, terms of policies, and the amount of risk taken on those bonded. The board authorized all investments and loans, investigated and adjusted all clauses against the company and generally endorsed and directed the general affairs of the company.¹¹

The President, and in his absence the Vice President, was responsible in connection with the manager, to exercise general supervision and direction over all the internal affairs and business of the company. He was empowered, on the consent of the Board, to purchase, accept, sell or transfer any bonds, debentures, stocks, or any other securities whether for investment or as collateral security for loans. He also accepted mortgages on real

estate for money loaned, and executed all deeds and papers requiring the seal of the company.¹²

The manager, as appointed by the Board, was responsible for various secondary functions in terms of basic control of the company. The manager was responsible to the board for the general conduct of the office, and he supervised the accounts and correspondence pertaining to company business. The manager submitted reports and statements on the affairs of the company at each of the monthly meetings of the board. As well, the manager kept safe all the certificates of stocks, bonds, cash, cheques, and other valuable papers together with the corporate seal of the company. The manager with the signature of one of the directors of the company, endorsed all receipts, premiums, policies, and stock sold.¹³

From the description of the various functions of the board of directors, president and manager a clear division of control and administrative responsibility was established. The shareholders delegated absolute control to the board of directors in deciding company policy in most matters. By controlling investment policy, hiring policy, terms of the guarantee policies, those to be bonded, and through the president, general supervisory responsibilities over the day to day affairs of the company, the board retained effective control of the firm as the collective agent of the largest shareholders.

The manager provided the supervisory function of implementing the decisions taken by the board of directors. The manager directed the day to day operations of the company and reported monthly to the

president and the board concerning his activities. A clear division between ownership or possession of capital (represented by the board) was established at the foundation of the company.

Agencies were initially established in Toronto (1876) and in other counties in Ontario. These agents solicited business for the company and helped sell its stock to local investors.¹⁴ By 1877, the Guarantee Company had agents in Toronto, Quebec City, Hamilton, London, Ottawa, Halifax and St. John. The agents in these cities received fifteen per cent of the face value of the bond issued to new clients and five per cent for renewals, as commission payments.¹⁵

Expansion in the business of the company (premium payments being the sole indicator of this - see Table 1.2) and a need to obtain local businessmen's connections and capital, led to the Guarantee Company's establishment of local branches with local directors.¹⁶ Or so this was the reason put forward in the minute book and the annual report for the year. The desire to increase premium income, or insure its continued increase may also have precipitated the administrative change.

The first local board of directors appointed, occurred in 1880, with the selection of prominent Toronto businessmen and politicians to the newly created branch in that city. J.L. Blaikie, President of the Canada Landed Credit Company and a Director of the Scottish Commercial Fire Association, was made Chairman of the local Toronto board.¹⁷ Other members included the Honorable J.C. Aikens, Minister of Inland Revenue; Colonel C.S. Gzowski, Vice President of the Ontario Bank; D.L. Macpherson, President of the Senate of Canada; James Michie,

a director of the Canadian Bank of Commerce; F.S. Stayner, also a director of the Canadian Bank of Commerce; Sir W.P. Howland, President of the Ontario Bank.¹⁸ Similar boards were established in London, Ontario, Quebec, Halifax, and St. John, New Brunswick. These boards were also composed of local politicians and businessmen. The purpose for establishing these local boards were various but basically were designed to enhance the prestige of the company by having local politicians and businessmen on the board. They in turn provided the company with new sources of patronage and information on local conditions and helped head office shape company policy for these areas.

In February of 1877 a special committee of the Board of Directors, comprising Sir A.T. Galt, Edward Rawlings and two other members of the board, was appointed to consider the subject of the extension of the company's business into the United States where there were as yet no fidelity guarantee companies. The first indigenous American firm to deal in fidelity bonding, the Fidelity and Casualty Company of New York, was established in 1880. At the end of the 1880's only one other firm had been established, the American Surety Company of New York, founded in 1884.¹⁹ On May 7, 1877, the committee presented its proposals on the subject to a full meeting of the Board of Directors. The committee recommended that with,

... the present position of the paid up Capital of the Company, it is not recommended that it should embark in any of these states which require the deposit to be \$100,000 - which require that the capital paid up be at least \$100,000. - But inasmuch as it is competent for the Company to transact business in the states of Pennsylvannia without further hindrance than a tax of 3%, and in the

state of New Jersey in a similar tax of 2%, that it be recommended, that the Board authorize the extension of the Company's business to those states....²⁰

At a meeting of the board on May 10, the report was unanimously accepted for immediate implementation. The decision to establish an agency in New York brought favourable results as the Michigan Central Railway agreed to insure the whole of their staff for \$230,000.²¹ But the company's success was not as great as expected so the board decided to send the manager, Edward Rawlings to New York, Philadelphia, and Boston in order "to bring this Company's system of Guarantee under the notice personally of the authorities of some of the larger railway Companies of the United States."²² Again the company's attempts to gain new business in the United States fell short of expectation.

The first initiative taken was to change the nature of the capital subscribed in the company from that of double liability to single liability by making an application to Parliament. Five months later in 1881 the manager reported to the board that an Act had passed Parliament granting the requested change.²³ The next step undertaken was the establishment of a special fund to secure shareholders funds in the United States. The manager was authorized to deposit at each of the branches of the Bank of Montreal in New York a sum of \$10,000 either in bonds or in current account as security for American shareholders.²⁴ It was then determined a cut in premium payments would induce more clients to do business with the company. In 1880 the rates for railway officers in the United States were reduced from premiums of one to three-quarters of one per cent when the whole staff was guaranteed by the company.²⁵

The company then increased the amount of its paid up capital to meet American state legislation. The company successfully petitioned Parliament to allow for an increase of stock to \$1,000,000 and to call in as much un-paid capital as possible.²⁶ By the end of 1880 the paid-up capital of the company had reached \$147,000 compared to \$51,380 of the year before,²⁷ \$47,000 over what was required to establish a branch in the important state of New York. The minute books for 1881 pronounced that the,

Directors be and are hereby authorized to extend the operations of the Company's business to such other country or countries as may to them ... seem desirable and to comply with such laws or requirements as may exist in such country or countries.
....²⁸

Galt and Rawlings were dispatched to New York to deal with leading American capitalists in their effort to establish a New York Board of Directors. This followed the pattern established for Canada, the same year. After negotiating with a number of candidates for membership on the board, Galt and Rawlings submitted the names of Joseph W. Drexel, of Drexel, Morgan and Company; A.L. Hopkins, Vice-President of the Wabash, St. Louis and Pacific Railway; H.V. Newcomb, President of the United States National Bank; General E.F. Winslow, President of the New York, Ontario and Western Railroad; and John Paton, of the brokerage firm Jesup, Paton and Company, as candidates for the local board in New York. Paton a former Canadian banker was also the agent in New York for the Bank of British North America and the Merchants Bank of Canada.²⁹ It was his firm which was given the business to obtain subscribers to the company's shares at a one per cent commission rate

on the condition that the subscription list be not less than \$250,000 by the end of 1880.³⁰ By January of 1881 the company had sold over \$100,000 worth of stock in New York (of which \$42,000 was paid-up or over 40%) and as such had met the basic requirements to do business in New York.³¹

On February 18, 1881 the Montreal Board of Directors passed a resolution establishing the local board of directors in New York, and the regulations by which all local boards in Canada and the United States were to be guided. The names (previously listed) were submitted by Galt and Rawlings to head office and accepted as the first members of the New York board. The local board or branch received and accepted applications for guarantee from their designated area - New York, Toronto, etc. They effected contracts on behalf of the company for bonding in conformity with Head Office regulations and at Head Office-designated rates for premiums. The local or branch secretary sent to Montreal schedules of the risks proposed or accepted and policies issued at least once each week (all duly recorded with Head Office Ledger Books). The secretary informed the Head Office of any claims or matters of importance of their branch. If the branch office had any doubts as to the worthiness of any applicant or the payment of a claim, its doubts were transmitted to Montreal,

The Head Office obtained office space for the branch and retained the final decision in the hiring of staff. Local boards were to meet monthly and each local director was to receive five dollars for every board meeting attended. A copy of the minutes of these meetings was sent

to the Secretary of the President in Montreal.³² Most importantly though, the premiums that the various local boards accumulated rested in the possession of the board but their ultimate disposal remained a prerogative of the Head Office.³³

Once the New York board had been established on a firm foundation, the Guarantee Company's expansion into the United States accelerated. The Montreal board concluded that if they were to conduct their business in the other large and important states, the company's deposit in Albany would have to be increased. Immediate steps were taken to fulfill this requirement by increasing the paid-up capital of the company to \$300,000.³⁴ Thus, by the end of 1881, the company had local boards of directors in New York, Boston, Philadelphia, Chicago and Richmond; with agencies in thirteen other states, as well as their Canadian local boards and agencies. Prudently aware of the importance of the American market to its development, the Guarantee Company concluded a name change to heighten its public image in the States. A petition was sent to the federal government proposing a change from the Canada Guarantee Company to The Guarantee Company of North America. In February of 1881 the government acceded to the company's request and the new name was adopted.³⁵ The company guaranteed employees in sixty-one American railways alone as well as twenty-one American banks and numerous express and telegraph companies.³⁶ By 1900, employees in over 2,000 companies in Canada, the United States, and Mexico were bonded by the Company.

With the increase in business effected by the company's expansion, the Guarantee Company entered into a reinsurance agreement with the

Employers' Liability Assurance Corporation, based in London, England in 1881. The London company agreed to assume the payment of risks above \$10,000 insured by the Guarantee Company with an option to take on risks guaranteed for over \$20,000. In exchange, the London company received a percentage of the premiums the Guarantee Company received along with a yearly commission of ten per cent. on total business. The Employers' Liability assumed the right to take judicial action in these risks, along with the rights to any recovered money.³⁷ The agreement proved satisfactory and was renewed in 1884. But in 1888 when the contract came up for renewal again, the Guarantee Company demanded a greater share of the Employers' Liability's reinsurance profits. The manager, Edward Rawlings, went to England to renegotiate the agreement but this proved fruitless. As a result the Montreal Board began to take steps to find an alternative to its arrangements with the Employers' Liability Assurance Corporation.

In May of 1889, Rawlings proposed to the Montreal Board the establishment of an auxiliary company to be formed in the United States to "transact amongst other business the reinsurance business of this Company."³⁸ From 1884 to 1889 the company's reinsurance account proved to be quite remunerative. In the period, Employers' Liability received over \$80,000 in premiums while having losses of less than \$4,000.³⁹ The proposal was accepted by the Board with Employers' Liability's profits a selling point emphasized by Rawlings.

A charter was applied for from the New York State legislature for the proposed new company in the United States. Under the provisions of the laws in New York, the company was to be called the United States

Guarantee Company, with a total capital stock of \$200,000 and its head offices in New York. Of the total capital stock, a majority of the shares was to be held by The Guarantee Company of North America, with the other shares to be released for sale by the Company's various agencies.⁴⁰

The charter was granted in December of 1889 and a prospectus quickly put out. The purpose of this company, as explained in the prospectus was that:

This Company will be inaugurated under the most favorable auspices, it being arranged that it shall immediately transact the re-insurance business of The Guarantee Company of North America, which company will take a large interest in the stock, thus identifying itself with its success.⁴¹

The prospectus states that The Guarantee Company of North America's reinsurance business had realized "large profits" over the past five years and that the preliminary expenses of the new company would be comparatively light, by virtue of its association with its parent company. The American subsidiary was to work out in the beginning, from the New York offices of the parent company and an estimate given that the new company would show a profit of at least \$35,000 in its first year - which was nearly realized. The prospectus also stated that the stock not held by the parent company would only be offered to "gentlemen prominently connected with Railroads, Banks, and other corporations in the United States, through whose association, as stockholders and Directors, additional and valuable business will accrue."⁴² The stock in the Company was quickly bought up and the \$100,000 deposit required by New York State law, was submitted early in 1890. The Montreal Board

appointed Edward Rawlings as President (as he had majority stock ownership in the Company) and L.C. Murray, President of the United States National Bank and H.W. Cannon, President of the Chase National Bank its Vice Presidents.⁴³ The subsidiary, as well, boasted a "distinguished" list of directors and stockholders, among them George H. Pullman, J.P. Morgan, and Asa Potter.⁴⁴

The company's extension across Canada and into the United States brought with it administrative changes. The head office in Montreal remained in control of the various branches throughout North America and as such employed administrative techniques to deal with this form of organization. The Head Office staff increased from seven in 1872, to fifteen in 1881, twenty-four in 1901, and thirty-six in 1919.⁴⁵ The chief accountant and his staff in Montreal were responsible for maintaining the various internal accounts of the company. Account books were kept for each branch in separate American and Canadian cash and ledger books. This allowed the Head Office to determine the performance of each branch. As well, all expenditures, premium income, salaries, local bank deposits, rent, stationary, etc., were recorded in the Head Office books. Monthly expenditures and allotments came under the supervision of the treasurer to be disbursed by the secretary of each of the various branches to meet their needs as determined by Head Office.

The secretary of the company was responsible for co-ordinating schedules of risks proposed and accepted by the various branches sent to the Head Office each week. A system of books were kept (of which but one for the year 1911 remain) of the various clients bonded at each

agency and branch. To insure the reliability of these reports and the proper functioning of the various agencies and branches, employees trained in Montreal at the Head Office, were dispatched to take control of those offices. The practicality of this approach was fully realized when the local agent in Pittsburgh was found to have defrauded the company in 1894. E.R. Munro, an employee at the Head Office, was sent to take charge of the agency.⁴⁶ Two inspectors, one for Canada and the other based in the United States, were responsible for supervising the business activities, the accounting procedures, and the "honesty" of each of the agencies and branches.

At each branch with a local board of directors, a manager with a staff comprising of seven to ten secretaries and an accountant/secretary were usually employed to handle the branch business. The accountant in conjunction with the manager was responsible for submitting the weekly reports to the Head Office. The treasurer and secretary at the Head Office correlated the material and provided the manager or Managing Director (as he was called after 1886)⁴⁷ with detailed financial reports on the operation of the various branches and agencies across the continent. The Managing Director then submitted these reports to the Montreal Board of Directors where matters of policy were devised to meet particular circumstances. It was the responsibility of the Managing Director to see these policies acted upon and the necessary orders delivered through the chain of command. By 1917 a Financial Committee of the Board of Directors was established to deal with routine financial matters brought up by the Managing Director.⁴⁸ The Board was thus left to decide upon

the investment policies of the company, and deliberate on the general functioning of the firm.

The development and growth of the company's administrative staff can be symbolized in its shift from the small office it rented initially in the Molson's Bank and later various other institutions to a ten-storey skyscraper built on Beaver Hall Hill in 1913. Described by the Montreal Gazette as the "structural sensation of its day"⁴⁹ the new offices towered over the buildings of similar size on St. James Street. The company thus simultaneously proclaimed its presence to the business world, and its domination of those who worked within.

* * *

The term corporate suretyship was a general one and included three broad divisions of bonds. The first was fidelity bonding, under which the surety company agreed to reimburse employers for losses occasioned by the dishonesty of employees. The employer was either an individual, a firm, a corporation or the state. When losses occurred, the surety company indemnified the employer for the amount named in the bond and looked to the bonded employee for reimbursement.⁵⁰

The second form of corporate suretyship was the judicial or court bond. Bonds of this nature were required in court proceedings and were of two types - a fiduciary obligation, for example, on behalf of an executor, guardian or trustee, or a financial guaranty, such as an appeal

or a bail bond.⁵¹

The third type of bonding was in the commercial field. Here the surety company guaranteed the performance of contracts and the credit of persons obligating themselves to another party. Contracts for construction work and for the performance of every sort of specific service were of this nature.⁵²

The Guarantee Company at its founding dealt only with the first type of corporate suretyship. The original employees guaranteed by the company were railway, bank, express company, and government workers.⁵³ There were two forms of bonds by which the employees were insured. The first was designed to protect against dishonesty and fraud by employees and issued at an average rate of one per cent of the amount guaranteed for. The second class was for unspecified contingencies but at higher rates.⁵⁴ The manager, until 1911, Edward Rawlings, devised a scheme whereby employees who held stock in the company were entitled to a reduction on the annual premium of their bonds so long as they remained stockholders.⁵⁵ The basis of the company's accumulation of capital was thus established. It was the employees who paid the premiums which guaranteed their honesty to their employers. Rawlings' scheme provided a further refinement wherein by encouraging employees to hold stock in the company another source of capital was tapped. The worker was to have an incentive to take an interest in the operation of the company. It is, however, practically impossible to determine how successful this practice was, as shareholder lists do not state occupation, city directories are not complete, and a large number of shareholders

resided outside Montreal.

Premium payments were based on an actuarial rate basis. The term "rates" was the expression of the mathematical formula determining the amount of premium paid in relation to the amount insured against. Initially this was established at one per cent. Over time, however, there evolved more detailed schedules of risk and rate structures.

The clientel of the company spread from bonding persons of upper and middle management to workers at all levels. In 1881 the company bonded workers in banks, railways, express and telegraph companies, and the government. By 1911 the Guarantee Company's portfolio of companies bonded had increased to keep pace with developments in the economy. The years 1881 and 1911 are the only ones for which detailed records remain of the companies bonded at head office in Montreal. The following Table 1.1 gives a breakdown of the types of businesses bonded in those years -

Table 1.1Companies Bonded at Head Office, 1881, 1911⁵⁶

Type of Business or Institution	1881		1911	
	#	%	#	%
Railroad	69	53,5	14	9,8
Bank	45	34,5	16	11,2
Express	10	7,8	3	2,0
Telegraph	5	3,9	1	0,7
Industrial	--	----	48	33,6
Merchant	--	----	26	18,2
Insurance	--	----	11	7,7
Broker	--	----	6	4,2
Trust	--	----	7	4,9
Steamship	--	----	4	2,8
Law	--	----	2	1,4
Education	--	----	5	3,5
Total	129	99,7%	143	100%

It is clear from this table that there was a significant re-orientation of the types of businesses bonded by the company in the years 1881 and 1911. As no records remain as to the total number of employees bonded in these companies or institutions, it is impossible to determine the number of employees from each sector, type or specific employment and their contributions to the Guarantee Company's premium income. By 1911 industrial firms provided thirty per cent of the clients bonded ranging in size from Armour's Meat Packing plant in Chicago to local Montreal cigar manufacturers. In 1881 the company bonded none. In addition seven new types of business and public institutions came under contract with the Guarantee Company. As the Canadian economy matured the company was able to tap new sources of capital to augment its revenue from its

original sources of premium income. While the number of railways and banks bonded at head office declined from sixty-nine to fourteen and from forty-five to sixteen respectively, it should be noted that most of the railways and banks bonded in 1881 were primarily American. Given the development of branch offices in the United States in the 1880's, and the establishment of the United States Guarantee Company in 1889, it would seem that much of the American business was transferred to these branches and as such does not appear in the head office calculations for 1911.

As each employee was bonded individually there was a steady stream of change notices received at Guarantee Company offices requesting the deletion of one or most employees' names from the list of insured personnel and the substituting of other names. A more efficient system was devised whereby "blanket bonds" were issued insuring all the employees of a given company who had access to money, thereby institutionalizing the process to an even greater extent. A sliding scale of rates accompanied blanket bonds but no evidence as to premiums collected by group remain as no detailed schedules have survived. Table 1.2 provides a breakdown of premium income as a percentage of total revenue for various years: -

Table 1,2Premium Income as a Percentage of Total,⁵⁷

<u>Year</u>	<u>Premium(\$)</u>	<u>Interest(\$)</u>	<u>Total(\$)</u>	<u>Percentage</u>
1876	36,700	3,398	40,098	91,5
1880	51,081	5,267	56,348	90,6
1885	191,820	15,957	206,777	92,7
1890	268,999	36,640	305,640	88
1895	239,223	58,587	297,811	80,3
1900	173,412	73,587	246,999	70,2
1905	225,116	98,303	323,419	69,6
1910	237,189	89,486	326,485	72,6
1915	270,358	90,307	360,659	74,9
1919	391,764	146,480	538,244	72,7

Premium income can be seen to have been the largest source of revenue for the company throughout the period from 1872 to 1919. The reduction in premium income after 1890 (the levels of that year being only surpassed in 1915) in part resulted from the establishment of the United States Guarantee Company in 1889.

While the company operated in a virtual monopoly position until the early 1880's the rates charged for premiums remained constant at approximately one per cent. With the introduction of new companies into the field the Guarantee Company faced its first competition with a corresponding fall in rates and business. In 1891 the company's Annual Report declared that -

The Company has had to contend against an even more severe and reckless competition than has existed in any previous year, a number of new companies transacting other business having added Guarantee business as an auxiliary to their revenue, and a very unwise and imprudent system of offering dangerously low rates in order to get business in their books has ensued. As a result ... the management have thought

well to let no less than \$13,000,000 of business go, rather than retain it at rates demanded by the Employees because of their business being tendered for by three other companies at lower rates than was thought consistent with prudence for this company to accept.⁵⁸

The trend as such was for the average rates charged by the company to decrease over the entire period from 1871-1919 as seen in Table 1.3.

Table 1.3

Average Premium Rates⁵⁹

<u>Year</u>	<u>Premium(\$)</u>	<u>Total Insurance(\$)</u>	<u>Rate*</u>
1876	36,700	4,079,800	89,9
1880	51,081	5,285,673	96,65
1885	191,820	25,207,650	76
1890	268,999	40,445,390	66,6
1895	239,223	40,729,028	58,7
1900	173,412	42,418,692	40,8
1905	225,116	63,777,624	35,2
1910	237,189	64,628,145	36,7
1915	270,358	94,280,654	28,6
1919	391,764	n.a.	n.a.

*Rate= $\frac{\text{Premium}}{\text{Total Insurance}} \times 10,000$

Declining rates meant that individuals on average paid less premium on the amount they were insured. While overall premium income stagnated from 1890 to 1910, this trend was reversed by 1915 resulting in larger total premium income. A system of kick-back schemes was instituted wherein deposits from five to ten thousand dollars were made by the Guarantee Company to client banks and trust companies.⁶⁰ Railways offered company executives free transportation on their lines in return

for lower rates from the company. The kick-backs were apparently discontinued in 1906 with the passage in the United States of the Hepburn Bill or the Interstate Commerce Act,⁶¹ but the deposits in the books^{4N} continued.

Little remains of the actual records of the company's rates for individual clients, but one survives from 1919. This list dealt with rates charges to American banks, savings banks, co-operative banks, and trust companies. Table 1.4 outlines the rates charged to these institutions in percentages.

Table 1.4

Percentage Distribution of
Rates Charged⁶²

<u>Institution</u>	<u>Rates</u>					
	20	25	30	33,3	40	50
Bank	--	23,6	29,2	27,8	19,4	--
Svgs. Bank & Co-op.	--	4,3	19,1	19,1	51,0	6,4
Trust	1	21,9	37,5	21,9	15,6	--
<hr/>						
Average %	,7	17,2	27,8	23,8	28,4	1,9
Total: 151						

Almost seventy per cent of the total number of institutions paid rates of less than forty. However, fifty-one per cent of the savings banks and co-operative banks bonded by the company were guaranteed at a rate of forty and another six per cent at fifty as opposed to none

for the other two categories. This demonstrates that the scale of rates were in effect for different types of institutions. This may have brought more capital proportionally from smaller companies, in the form of premium payments, than from larger corporations. Members of the "haute bourgeoisie" in the United States could also reasonably expect to receive a seat on a local board of the company if the account was deemed important. This would also translate into lower rates and a deposit by the Guarantee Company in the bank. However, there was not one member of a savings bank or co-operative bank on any local board.

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The initial articulation of the company's defined function in the Canadian economy was expressed, in theory, in the company's charter.

In this document the company's function was -

to guarantee for the integrity and faithful accounting
of Public Officers and their Deputies, Managers, Secretaries,
Cashiers, Collectors, Receivers, Clerks and other persons
of reputation.....⁶³

The company was to provide a service to the community, albeit the business community, which at this point had yet been institutionalized in corporate form. Over time it was recognized that the company had provided "one hundred years of service to Canadians."⁶⁴ The subjective reality began as a service to the business community but one hundred years later, came to be seen to benefit all Canadians. Before the establishment of such companies people signed bonds or surieties for

their friends, usually gratuitously. As W.H. Hall, manager for Canada of the American Surety Company of New York, outlined before the Insurance Institute of Toronto in 1913 -

The financial accumulation of a lifetime, the provision of discomfort in old age, the established business might be swept away in case the friend proved false to his trust. On the other hand the corporate surety, with its capital, premium receipts and other resources pledged to support its bond, was the logical solution of a troublesome question, and the looked(sic) for profit was legitimate.⁶⁵

Service to people in trust was the justification for guarantee insurance. But it was also seen as a necessity because of employee defalcation. This service was provided to the employer with "a system of investigation and revision of risks for the prevention of loss through an unfaithful officer or employee."⁶⁶ Defalcations by management or employees was an affliction which if it could not be stamped out by gentle persuasion, the payment of adjusted claims would be a profitable alternative.

Gentle persuasion, however, was not set aside entirely. It was obvious to the members of the board that if an employee in a bank, railway station, etc., could not be trusted then he should be informed of the virtues of capitalist morality. Writing in a pamphlet issued in 1918, H.E. Rawlings, the President and Managing Director, explained that "there are many employers who have failed to appreciate its (suretyship) merits or its benefits to themselves and their shareholders by its moral influence on their employees."⁶⁷ The maturation of the industrial capitalist system in the years between 1870 to 1919 necessitated a re-definition of the work habits of those engaged on

the factory floor, the large-scale farm, and the office. As E.P.

Thompson notes "the transition to mature industrial society entailed a severe restructuring of working habits - new disciplines, new incentives, and a new human nature upon which these incentives could bite effectively."⁶⁸

The Guarantee Company, as such, took upon itself the task of educating employee and employer to the proper work habits by which the new salaried workers were to adhere.

To combat the crime of defalcation by employees, the company began issuing a series of pamphlets which appealed to morality and a higher sense of worker responsibility to the firm, the new ruling "intellectual" force in society. The company in 1910 published a pamphlet, "Fundamentals of a Bond of Suretyship" and a supplement, "Guide Posts to Employees" on the proper work habits. The "Guide Posts" suggested seven "do nots" to the employee,

Don't get the mistaken impression that your only duty to the company is your own particular work: Be a factor in its progress.

Don't be indifferent when you observe anything that you think not right or contrary to the company's interests. Mention it where it will do the most good.

Don't tarry in the service of the company if your work is not congenial or you are not satisfied; better for both that you have experience elsewhere.

And -

Don't Forget.⁶⁹

The moral influences which these "Guide Posts" emphasized were of service and loyalty to the company, wherein the employee was encouraged to be a "factor in its progress". Employees were to be honest and diligent in over-seeing the operation of the office where the eyes

of the office manager were not immediately present. They were to consider at all times the company's interests from which they drew sustenance. Thus loyalty and honesty to the firm were the keystones to developing an efficient labour force. The basis for this "most forceful and best moral influence", lay in the knowledge for the "average officer or employee that it behooves him not to conduct himself in accordance with position or means." Otherwise information which was seen as "detrimental to the best interests of himself, his employer or the community, will be communicated to the guarantee company and its endorsement possibly forfeited."⁷⁰ Compliance to these rules and regulations was not only suggested:

"Trusted Man" - if you breach your employer's confidence and steal from him, he will in time, find you out, the law may take its course and to society and all that is dear to you, you will become an outcast.⁷¹

The velvet glove of moral suasion contained the iron fist of castigation and simple refusal of corporate suretyship. The whole judicial process was presided over and tried by the administrative court of the bourgeoisie, in this instance the Guarantee Company.

The moral virtues which had to be transmitted to the growing salaried work force in this era of business reorganization were honesty and loyalty. As Thompson has written: "Political organisms select from the available stock of ideas those which best serve their interests and justify (or mystify) their function, and hence reduce ideas to ideology; and they often do this very perfectly. Social forces... shape ideas into ideology, they are idea-selective and value

selective."⁷² That ideas of honesty and loyalty were of immediate interest to the Guarantee Company is to state the obvious. That the company was a body politic and organism was easily recognizable in law.⁷³

This political organism, more specifically in the bourgeois guise of a simple economic institution, performed a value selective role in determining and mystifying certain questions of morality. These "moral" suggestions undoubtedly went far in creating the proper work discipline necessary in the expanding office and their white collar workers.

The view of the Guarantee Company as to the role and function which it occupied within the business community was twofold. First, it was a financial intermediary providing a service to the developing business institutions in Canada and the United States. Second, it adopted an ideological function wherein an educative initiative was undertaken, as a direct corollary to its business, to school the students of the burgeoning industrial and service labour force in proper work habits. The two were put forward as a "natural service to the individual, the employer, and the community."⁷⁴

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Chapter Two - The Guarantee Company of North America and the
Development of a Canadian White Collar Work Force.

Once the process of adaptation has been completed [to the job] what really happens is that the brain of the worker, far from being mummified, reaches a state of complete freedom. The only thing that is completely mechanised is the physical gesture American industrialists have understood all too well this dialectic inherent in the new industrial methods. They have understood that "trained gorilla" is just a phrase, that "unfortunately" the worker remains a man and even that during his work he thinks more, or at least has greater opportunities for thinking, once he has overcome the crisis of adaptation without being eliminated; and not only does the worker think, but the fact that he gets no immediate satisfaction from his work and realises that they are trying to reduce him to a trained gorilla, can lead him into a train of thought that is far from conformist.

Antonio Gramsci
Americanism and Fordism.¹

The growth and development of finance capitalism in the latter part of the nineteenth and early twentieth centuries, in Canada brought forth the introduction and use of Frederick W. Taylor's principles of "scientific management."² His theory attempted to analyze ways in which production could be increased through a systematic reorganization of the work-place. This entailed, among other factors, the division of work into minute parts and its routinization. These changes were intended to deprive the workers of the knowledge necessary to effect changes in the production process, and limit their political position within their place of work.

Introduction of these principles occurred only after experimentation by Taylor, and his cronies at Bethlehem Steel. This process reached its theoretical organizational "height" with Henry Ford's introduction of the assembly line technique of work organization in Dearborn, Michigan, in 1905. The success of these new weapons of finance capitalist redefinition of the industrial workers of the United States, Canada, Great Britain, etc., could only be achieved, as Gramsci points out in Americanism and Fordism, through coercion and persuasion.³

The development of techniques of scientific management for the purely clerical sectors, such as banking, insurance companies, etc., occurred generally speaking, in the immediate period before the First World War. These changes wrought on the clerical workers did not go by without response. The attempted organization of Canadian bank clerks in the years preceeding the War, was an expression of worker solidarity and consciousness, in the face of the alienation brought about by the needs of finance capitalism.

By examining the clerical workers in the Guarantee Company, we can at once view the writing of the business institutional history of Canada as not being devoid of class interests (and in the example of the bank tellers, of class conflict), but as the embodiment of class interests and conflict.

The Guarantee Company of North America, as an institution of capital accumulation, was in its creation the realization of class antagonisms. As an institution bonding the honesty of clerical

workers, the company expressed in an institutional form, the central contradiction of the developing capitalist society, i.e., the antagonism between the possessors and controllers of capital and the dispossessed forced to sell their labour power for wages. As will be argued, the simple or not so simple act of a clerk's absconding with the company's funds was an expression of the contradictions "thrown-up" by the developing capitalist system. Rather than an expression of personal weakness, as the Guarantee Company and other bourgeois institutions would have us believe, this act was nothing more than a reaction sparked by the appropriation of the surplus value of production by the few from the many.

Section one of this chapter attempts to quantify the growth of the white-collar work force in Canada during and after the period. As well, a theoretical explanation will be advanced concerning this growth.

The clerks of the Guarantee Company will be examined in the second section. Sources on the clerks of the company are somewhat limited. Salary books exist for the entire period and have been referred to when necessary. Little other documentation remains, except what can be gleaned from minute books and company files. The Guarantee Company, however, was a firm which explicitly dealt with the growth of the white collar segment of the working class. As such it was intimately involved in the development of proper work discipline for its own employees and those of other companies it was bonding.

Numerous pamphlets and papers remain in the company archives and in Edward Rawlings' Papers (McCord Museum) regarding this aspect of its history. As well evidence drawn from the Journal of the Canadian Bankers' Association and Graham S. Lowe's article on the application of scientific management to Canada in the period,⁴ were employed to demonstrate that concern over questions of white collar work discipline was not unique to the Guarantee Company.

The final section reviews some of the current literature devoted to the study of white collar workers in Canada, with parallels drawn to similar works undertaken in the United States and Britain. This is not a comprehensive review of the literature on the subject, but rather a focus on the dominant trends, at present, in Canadian historiography.

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Capital, in short, expresses the major economic relations of capitalism by which labour-power and its products are rendered into exchange value, i.e., money, capital, specie, etc. All acts of exchange, then, are characterized by the mutual transfer of this power to use-value forms. With the development of finance capitalism, it was this abstract "accounting" of value over the labour and products of production, which led to the explosion of clerical workers, particularly in institutions divorced from the production process (banks,

insurance companies, etc.). It was the function of these workers, in essence, to survey and keep account of this value, made necessary by finance capitalism. As a result the energy expended upon the simple record keeping of an infinitely more complex division of stages in the production-consumption matrix, involved the hiring of clerical workers to supervise or keep account of the transformation of the product from commodity form to exchange value. The increase in the numbers of white collar workers in Canada can be seen in Table 2.1, with the increase in the number of clerks employed in the labour force:

Table 2.1⁵

Percentage of Clerks in Canadian Labour Force

<u>YEAR</u>	<u>Number of Clerks</u>	<u>Total Work Force</u>	<u>% Clerk Total</u>
1891	24,121	1,772,978	1.4
1901	58,789	2,005,066	2.9
1911	106,351	3,028,973	3.5
1921	217,937	3,540,820	6.2
1931	258,684	4,499,300	5.7
1941	314,051	4,877,194	6.4
1951	542,403	5,948,237	9.1

In 1881 there were, according to the census of that year, 5,335 clerks in Montreal. The vast majority, however, were classified as commercial clerks, which included sales people and various other types of service workers. There were 842 accountants and bookkeepers, and 66 insurance workers (a number which seems rather small, even for this period)⁶ It is clear, though, from these figures that as the number

of clerks in comparison to the total work force was small, their employment outside of traditional sectors was limited. It was only after 1890 that the numbers of, and their proportion to the total work force began to increase significantly, to meet the needs of finance capitalism.

The perceived need to keep account of the products of production and their theoretical expression as capital necessitated the development of a new strata of the proletariat which sold its labour power for wages - the clerical worker. The authors of the 1911 Census reflect this trend in Canadian society by their classification of white collar workers in a separate category divorced from service workers and managers and officers of a company. Table 2.2 shows the different sectors of the economy in which clerical workers in Toronto and Montreal were engaged;

Table 2.2⁷Clerical Workers in Montreal and Toronto, 1911.

<u>Sector</u>	<u>Number</u>	
	<u>Montreal</u>	<u>Toronto</u>
Bank	813	1,217
Insurance	522	1,018
Trust	508	1,017
Manufacturing	980	1,605
Mining	5	5
Railways	1,396	530
Street Railways	33	29
Steamships	49	19
Express	--	204
Building	66	95
Merchant	3,835	5,220
Federal-Provincial		
Governments	1,712	1,829
Municipal	1,561	1,366
Other	<u>300</u>	<u>3,480</u>
Total	11,777	17,634

Clerical workers represented 6.4% of the working population of Montreal and 10.3% in Toronto in 1911.⁸ Their increase in numbers and their employment in all sectors of the economy reflect the transition in the Canadian economy from mercantile through industrial to finance capitalism. This increase in numbers did not reflect a loss of status of clerical workers, but their realization as part of the proletariat. As well their proliferation throughout different sectors of the economy was reflected in the types of workers guaranteed by the Guarantee Company (this was shown in Table 1.1). But it still remains within these insurance companies and banks that the transition from the counting day of mercantile capitalism to finance capitalism were most

visible, and the position of the white collar worker defined.

With finance capitalism, control of productive surplus was achieved either through the control of the physical productive industries and activities, or by appropriating it from outside, as banks and insurance companies did. Financial intermediaries produced no physical goods, but rather appropriated capital through savings, premium payment, etc., and expand capital through investments, loans, etc., thereby realizing profits. (Assets of financial intermediaries as a proportion of GNP rose from one-third in 1870 to equal it in 1919; and assets from over \$110 million in 1870 to over \$1,2 billion in 1919).⁹ The management functions of control (of workers) and appropriation (of capital) had in themselves become processes by 1900. These processes, as Harry Braverman in Labor and Monopoly Capital: The Degradation of Work in the Twentieth Century argued -

are conducted by capital in the same way that it carries on the labor processes of production: with wage labor purchased on a large scale in a labor market and organized into huge "production" machines according to the same principles that govern the organization of factory labor. Here the productive processes of society disappear into a stream of paper, moreover, which is processed in a continuous flow like that of the cannery, the meat packing line, the car assembly conveyor, by workers organized in much the same way.¹⁰

The recording, accounting and transfer of value became the major preoccupation of clerks. This was a process which each individual firm had to undertake, as generally speaking, its own accounting had no standing with other organizations. This, of course, led to an immense amount of duplication. This resulted from a standard presumption of the

capitalist work and business ethic - the dishonesty of the other individual or institution. As Braverman writes -

The internal recordkeeping of each corporate institution is, moreover, constructed in a way which assumes the possible dishonesty, disloyalty, or laxity of every human agency which it employs; this in fact, is the first principle of modern accounting. It is for this reason, among others, that double-entry bookkeeping proved so suitable to capitalist accounting.¹¹

It is at this point that we may turn to the Guarantee Company as an institution which reflected this reality in capitalist work discipline and ethic.

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Established as a financial intermediary, the Guarantee Company appropriated premium payments from workers and managers in positions of trust (here referring to those handling money only) as a guarantee for their honesty. The Guarantee Company, as a business and in its own social organization, gave witness to the making of a new fragment of the working class. It was a firm which made this whole new social group of clerks its business. As well the Guarantee Company expressed, in its own creation and function, the presumption that all who worked (more specifically those in a position of trust) were either disloyal, dishonest or lax. Falsification of accounts (or dovetailing as it was usually called) by employees in banks, insurance companies, industry, etc., was of necessity the ideological "combat zone" of the Guarantee Company. From its offices spued pamphlets and directives to those

employers who dealt with the company, providing instructions on the prevention of employee falsification and defalcation. This was not to be confused with capitalist falsification of the books in order to "secure" their position within the ravages of the capitalist business rationalization process (and profits). The business press of the time appreciated the "educative" function of these institutions, for in an article entitled "Money" which appeared in the Monetary Times of 1871 we read:

We believe to some persons the value of a shilling is a more difficult lesson to learn than it is to others; but we are convinced that it is much more a matter of habit, and especially of early training. Viewed in this light, we regard savings banks, building societies, and assurance companies as among the great educators of the people.¹²

The inherent problem in the developing capitalist firm, as propounded by the Guarantee Company, lay in the employee - individual who had yet to be trained in the proper moral code of behaviour within the office. The solution lay in a two-fold process of one, indoctrinating the workers in the proper work habits; and two, proper supervision of the books of the firm, and those responsible for their upkeep. In a pamphlet marked confidential to employers, and entitled "How to Lessen Defaults", the Guarantee Company expressed its concern succinctly:

It is (our) experience that defaults by bonded officers and employees have often continued under concealment for years because of the lack of simple practicable precaution in supervision.¹³

The benefits of such supervision accrued to the employer in that it could prevent loss in excess of the bond, and protect the company

through prompt detection of default before it reached undue amounts. A five point system was proposed for the client firm to follow in the interests of protecting the private property of the owners. This system included: the introduction of a double entry system of bookkeeping; the treasurer or cashier was not to act as bookkeeper; convertible securities were to be under joint custody; negotiable instruments were to be countersigned; auditing of the books was to be undertaken. All of these points were encouraged as methods in preventing defaults, thereby limiting the amounts of insurance paid to clients for absconding employees. Finally every "employer owes it to himself and his shareholders to require that every employee occupying a position of trust be bonded"¹⁴ In a word, the profit principle was the final factor in determining the viability and effectiveness of the Guarantee Company efforts.

The ultimate responsibility, however, for any possible breach of trust rested not simply in the strict observance of the Guarantee Company accounting regulations, but in the employee. If the clerical worker could not be trusted, then, he/she would have to be "harnessed" to conform to the specifications of the job to which he/she was employed. This was a process confined not simply to the Guarantee Company, for it encompassed all of the ideological weapons of bourgeois hegemony. But as an economic institution intimately tied into the re-definition of work habits and concomitantly "human nature", it provides

a starting point if we are to understand the larger process and development of bourgeois hegemony in society.

In the pamphlet "Fundamentals of a Bond of Suretyship", Edward Rawlings established the scope of their problematic -

The feature, therefore, of the investigation and revision of risks, with its attending moral influence is of paramount importance to the employer availing himself of the protection afforded him under a bond of suretyship.¹⁵

Investigators and inspectors were hired "who, by their experience and training, are impressed with the necessity of taking nothing for granted, and confirming, as fully as practicable, the accuracy of all statements and replies received in the course of investigations."¹⁶

Rawlings is here referring to the application form for the guarantee bond where the proper moral code for employment was outlined. The key questions which determined an employee's moral conduct, and thus value to his employer, were as follows -

14. Are your habits sober and temperate, and have they always been so?
15. Do you speculate, gamble, bet, play cards or otherwise engage in ventures of chance, where money is involved?
16. Are you a member of any Religious Denomination - give name of clergyman?
18. Were you ever bankrupt or insolvent, or did you ever compound with your creditors? If so, are you now discharged, and in what manner?
28. Is your life insured?¹⁷

The thrust of these questions are quite evident. Two referee circulars were also filled out by persons of "repute" who knew the employee under investigation. Again questions of moral conduct were of prime

importance -

3. Are his habits sober and correct, and his general conduct such as to entitle him to the confidence of his employers?
4. Has he, to your knowledge, been, or have you ever heard of his having been, irregular or unsteady in his habits or addicted to any bad habits?
8. Is he, or has he ever been, in embarrassed circumstances, bankrupt or insolvent?¹⁸

These referees underwent rigorous questioning as to the conduct of the employee under question in the hope of discerning "information of a weakness in his character, record of habits" which if detected early "would protect the employer of any notoriety" or "ensuing embarrassment." Proof of this, the pamphlet claims, rested in "the vast amount of voluntary information obtainable from these same sympathetic friends [the referees] when it is too late to be of any use."¹⁹ Moral rectitude or conduct, and its adjacent definition and usefulness rested in its relations to the needs and desires of the capitalist. These were ideas transmuted through society first and foremost by the institutions of capitalist domination and hegemony - the work place.

Records of defalcating employees are somewhat scanty but in the early 1890's the Guarantee Company records provide some insight into these losses for a three year period. In 1890 there were 362 defalcations (of amounts over \$1,000) in the United States, resulting in claims of \$8,633,956. In 1891 the sum of claims had risen to close to \$25 million, but in 1892 came down to \$9 million.²⁰ Between 1871 and 1919 the Guarantee Company paid over \$13 million in claims to insured clients (an average of

\$270,833 a year).²¹ In the Guarantee Company's propaganda this represented serious losses not only to themselves, but to the insured company. It was in their direct interests to control these losses, and the target of their concern remained the clerk (presuming proper accounting practices were undertaken within the guaranteed firm). Of course, if the insured firm did not adhere to the stipulations of their contract with the Guarantee Company, it would forfeit its claim.²²

The simple dichotomy expounded by the Guarantee Company between the causes of defalcation and an employee's lack of moral rectitude at least should be qualified. J.P. Buschlen in his A Canadian Bank Clerk, written in 1913 chronicling in autobiographical fictional form the life of a cleric union organizer, argued that at issue was poor pay. There is no evidence remaining concerning the attitudes of the employees of the Guarantee Company to the place of work. J.P. Buschlen was chosen as an example as a counterpoint of workers' attitudes to the propaganda distributed by the Guarantee Company on the reasons for the implementation of capitalist work discipline. Buschlen cannot be seen to represent the entire white collar work force, but he does advance some arguments which may have reflected the opinions of one segment of these workers. More work must be carried out on this question, if we are to understand the position of these workers in relation to the development of an aristocracy of labour congruent with the development of finance capitalism in Canada.²³ Buschlen's non-revolutionary analysis of the relationship between banks and bank clerks and his emphasis on wages,

and workers' lifestyles seem to be indications of a germinating notion of "aristocrats" of labour. Nevertheless, Buschlen does provide an example of class consciousness amongst clerks, in his attacks on the bank and attempts at unionizing bank clerks.

Clerks, Buschlen writes, were always hard up, "[t]his is one of the public's chestnuts." If after borrowing money from fellow workers, friends or family, the clerk could not meet his financial obligations, he would engage in kite-flying. As Buschlen describes it -

Kite-flying is the last resort. It is simply a matter of cashing a cheque on your own bank through some other banks whose clerks are known or through some outlying branch of your bank, and keeping the cheque out [keeping the kite flying] until payday comes and you can deposit to meet it. [...] The bank cannot lose through the kiting of clerks; only tellers who cash the kite can lose, and they know the "flyer" before taking a chance.²⁴

The possibility of discovery, or ultimately the realization of defalcation rested in some cases at least, not simply from moral failings, but from lack of money. Were these actions the result of immoral behaviour engaged in by the clerk to recover from a day's labour at his books or wicket? Or were there not other causes? Again Buschlen may provide an answer,

Something, a solemn voice it seemed, whispered to Evan that a young man of iron could go through the ordeal of eight or ten years' bank service and run the gauntlet of attractive femininity without injury to a single soul; but young men are not made of iron. Evan wondered if those who wrote the Rules and Regulations had daughters, or if they remembered the letters they had received when they were clerking in little towns. Why didn't they take the whole of human nature into account when they laid down laws to govern employees? The fact that they had ignored the right of young men to marry at a reasonable age He counted

that ten years must elapse before he could hope to marry. At one hundred dollars increase per year it would take him seven more to earn \$1,050. In the East the "marriage minimum" was \$1,000, in the West \$1,200.²⁵

Buschlen went to great lengths in his writings to disprove the idea then current, that clerking led to riches or great upward mobility for any but the "well connected". The wages of the clerk in 1886 placed him in a position comparable to the skilled worker.²⁶ What the figures do not reveal was the clerk's certainty of payment at the end of two weeks or the month, the clerk's lifestyle, and his/her continuity of work over the whole year. It was these factors which separated the clerical worker under finance capitalism from his/her fellow workers, rather than the wage itself. Expectations of employers as to a clerk's dress code, living conditions, habits, etc., proved a burden to a vast number of clerks but underlines their position within the proletariat. The perception that banks and insurance companies and other sectors of the economy would pay above-average wages to clerical workers, functioned in part to "buy" their worker's loyalty, and insure a high level of "productivity". This was a form of co-optation of these workers into the capitalist system and removed the necessity of the use of coercive action to keep these workers "in line". This, as Gramsci notes in Americanism and Fordism, proved to be a valuable instrument in bourgeois control of the work place, and as a means of dividing the working class. The chimera of higher than average wages, only masked the new expenditures which the worker required in his/her struggle for survival. As Gramsci writes -

Persuasion should also take the form of high wages, which offer the possibility of a better standard of living, or more exactly perhaps, the possibility of a standard of living which is adequate to the new methods of production and work which demand a particular degree of expenditure of muscular and nervous energy.²⁷

Buschlen's argument that it took ten years before a clerk (who started as a junior) could gain a salary to marry, underlines the extent to which a clerk's salary went in meeting his/her needs and those expected of him/her by the boss. That clerks tended to move from job to job could only have exacerbated their problems. In the Guarantee Company, average length of service with the company was as follows:

Table 2.3²⁸

Length of Service of Clerical Workers

<u>YEAR</u>	<u>#Workers</u>	<u>Average Length</u>	<u>Range (in Years)</u>	<u>Died or Retired</u>
1881	14	6	1 to 26	1
1891	37	10	1/12 to 34	6
1901	29	7	1 to 19	2
1911	31	6	1"12 to 19	-
1919	--	--	----	-

In fact only ten per cent of the two-hundred and thirty-eight workers employed by the company between 1881-1914 remained with the company ten years or longer.²⁹ While it may not have necessarily taken ten years before a clerk could marry, there can be no doubt that the clerks employed by the Guarantee Company experienced a levelling off of salaries by 1901, especially when compared to management. This is shown in Table 3.4:

Table 2,4³⁰Salaries of Management and Clerical Workers (per year).

<u>Management</u>				
<u>YEAR</u>	<u>Total Salaries(\$)</u> <u>of the Company</u>	<u>Total Salary(\$)</u>	<u>Avg. Wage(\$)</u>	<u>% Total</u>
1881	4,080	1,992	1,992	49
1891	32,088	15,432	3,852	48
1901	36,180	16,200	5,400	45
1911	41,772	21,792	7,260	52
1919	45,120	25,800	8,604	57

<u>Workers</u>				
1881	4,080	2,088	948	51
1891	32,088	16,656	396	52
1901	36,180	19,980	960	55
1911	41,772	19,980	948	48
1919	45,120	19,320	960	43

After reaching a peak of 55% of total salaries paid by the company, worker average salary remained constant at \$960 a year. Given this stability in average wages paid, it is not surprising that by 1919 workers' proportion of total salary dipped to 43% compared to management's 57%. Management salaries in the same period increased by sixty per cent. Even in this period the status of the white collar worker may not have been that secure, but visible enough to place him in a position above most workers.

The freeze in wages paid the worker between 1901 and 1911 precipitated (with the exception of 1907), stable premium payments and increased funds for the Guarantee Company reserves. Indeed, in 1912 the second year in which management salaries in total exceeded those of workers,

dividend payments doubled and by 1919 more than tripled those registered in 1911. Thus differences of wage scales between management of the Guarantee Company and its clerical workers reinforced and expressed in objective form the class division existent in capitalist society and emphasizes the relationship between the exploitation of workers for "profits".

To ensure that salaries, indeed, were kept relatively stable in the office, the capitalists turned toward a largely untapped source of cheap labour - women. Described traditionally in terms of the liberating effects of the First World War, the introduction on a mass scale of women in clerical positions after the war was to ensure this levelling off of the average wage. Table 3.5 gives the average wage for women and male clerical workers of the Guarantee Company for various years:

Table 2.5³¹

Clerical Workers' Average Wage, by Sex

<u>YEAR</u>	<u>Workers' Average</u>	<u># Males</u>	<u>Average (Men)</u>	<u># Women</u>	<u>Average (Women)</u>
1891	\$396	32	\$456	7	\$282
1901	960	19	960	2	420
1911	948	17	1,008	5	588
1919	960	11	1,068	9	852

Women were consistently paid less on average than men over this period. Veronica Strong-Boag in her article "The Girl of the New Day: Canadian Working Women in the 1920's", found that women in clerical

positions in 1921 received on average 63% as much as fellow male workers and 71% in 1931.³² She attributes little significance to these figures other than the usual bourgeois laments that women were victims of discrimination because of their sex.³³ Discrimination, yes. By sex, yes. But as a result of "conservative" male employers naivety of the modern new ways of the twenties? No. Rather the woman worker became a source of a large pool of reserve workers who were employed to keep wages low and dividend payments high. The experience of capitalists in the pre-First World War period, and during it, could only heighten their desire to break down job discrimination on sexual lines - so long as it meant lower wages.

The introduction of women on a mass scale into the office after the First World War and its more specific effects of lowering their status have remained unexplored regions in Canadian historiography. High salaries in relation to other workers, and their lack of unionization may have contributed to their fall in status. If arguments surrounding clerical workers' fall in status have any validity, it would appear that this occurred just prior and after the First World War. Fall in status of a given group of workers (in our case clerical workers) can only be discerned by an analysis of the perception of the job by the workers engaged in it, and by those outside of it. One crucial factor, however, but not necessarily the only one, in determining a fall in status, is wages. After 1900 wages paid by the Guarantee Company remained stable until the end of our period, 1919. As we have seen the introduction of women workers on a large scale at the end of the First

World War provided another means by which wages could be kept lower. David Lockwood in his analysis of clerical workers in Britain found that the introduction of women and the general loss of "purchasing power" of clerical workers salaries in comparison to other workers of traditionally-considered "lower" status, resulted in a loss of status for white collar workers. As he writes, "the gross change in income relativities is unmistakable. The main result of this change is that the average clerk is now very roughly on the same income level as the average manual worker, or perhaps slightly below."³⁴

The whole question of loss of status is, however, somewhat problematical. It is nothing more than one part of a investigation of workers' consciousness, and its relation to the general progression of the workers' movement as a whole. Again we can turn to J.P. Buschlen to see that indeed the whole question was debatable,

A lot of this talk about the great opportunities of banking originates in head office and is peddled around the country for a purpose. The bank has the greatest advertising system in the country and the least expensive. It carries the biggest bluff on earth. The Bank's on a par with political flag wavers when it comes to handing the people the bunco.³⁵

White collar workers, as one segment of the proletariat, were hired en masse to deal with quantities of paper which, for example, in the Guarantee Company numbered 237,400 separate commissions, 11,000 telegrams, and bonds covering over 24,000 different workers in 1886.³⁶ These workers were subjected to the same type of routine work which typifies the development of finance capitalism and its corollary scientific management. Any classification of clerical workers must

begin with their identification within the ranks of the proletariat and, before 1914, within the ranks of the labour aristocracy.

The increasing number of clerical workers within banks and insurance companies resulted in two important responses from the bourgeoisie in its attempts to shape and mould the consciousness of these workers. Propaganda distributed by the Guarantee Company as to the proper moral conduct of these workers, was only a small part of the literature devoted to the reshaping of their work habits. In the business press, particularly in the Journal of the Canadian Bankers' Association, articles and programs dealing with the problem provided a "topical" current of debate.

In 1893-94 the Canadian Bankers' Association, (CBA), sponsored an essay contest on the proper training of clerks and tellers coming into their offices. In a prize winning essay of 1893, J.M. McPherson, of the Molson's Bank, argued that the employee must remember at all times that "his time is not his own but his employer's and not for himself." The worker was encouraged to,

...practive obedience, obeying the orders of his superior officers without the slightest deviation not forgetting that habits of obedience, punctuality, promptitude, etc., may be contracted as well as bad habits, and that by setting a good example he may be doing his fellow officers a life long service, as well as doing a just one to his employer.³⁷

Concern was expressed that junior clerks after advancing through the ranks were, as B.C.Gardner wrote in 1910, "practically unfit for the the more responsible positions, such as accountants or managers."³⁸ Not all of these propagandists thought that clerks could rise simply

through training. In an article in 1914, the author states that "the mediocre man, say of 35, is sure of getting from one to two thousand dollars in most Canadian banks, and the brilliant man from two to four thousand dollars, and in the case of general managers from ten to twenty-five thousand dollars."³⁹

Higher salaries were seen by some as a good method in increasing worker productivity, and in providing properly qualified workers. However, a different tact was undertaken by the Bank of Nova Scotia in 1901, when techniques of scientific management were applied to the office. This system was called the Unit Work System, and formed the basis of the Bank's cost accounting system and service charge schedule. As Graham S. Lowe in his article, "The Rise of Scientific Management in Canada (1900-1930)", describes it, the bank,

By comparing the number of standardized works units handled by a particular branch with the efficiency ratings of its staff, head office management could determine manpower requirements, salary increases, and promotions throughout the branch system.⁴⁰

But its widespread use and effectiveness in Canada have yet to be determined. The period from 1890 to 1914 highlighted the necessity for systematization and control, as clerical workers increased in numbers. This transitional period saw a continuation of bourgeois concern over questions of loyalty, productivity, and obligation - as seen in the CBA and Guarantee Company propaganda. As the ties between clerks and management were loosened with the rise of finance capitalism, impersonal discipline and so-called modern office management became institutionalized.

The example of the Bank of Nova Scotia was an indication of this process.

If developments in the United States can serve as guideposts for the Canadian situation, it was in 1917 that the first volume dealing with the question of office organization along scientific principles was published. A book entitled Scientific Office Management: A Report on the Results of Application of the Taylor System of Scientific Management to Offices, supplemented with a discussion of these results, written by William Henry Liffingwell, proved a path-breaking work. In 1918, Lee Galloway, a professor at New York University, published his standard work, Office Management: Its Principles and Practice. In this Galloway argued -

Execution implies control - control of the factory organization - control of the financial organization - control of the marketing organization. It is the work of the office organization under the supervision of the office manager, to devise records, methods, and systems for carrying out the function of control and for co-ordinating the activities of one department with those of another.⁴¹

Essential to the application of the principles of scientific management was the study of time and motion of the worker. Every motion of the hand or body, every thought required by these terms, the consumption of physical energy, which meant money spent by the capitalists. All of these actions of the clerk were to be timed, and on the observed evidence, standardized and routinized as on the factory floor. This approach was only widely adopted in the United States after the First World War. Its application in Canada, undoubtedly, followed a similar pattern.

Returning to Lowe's argument on the unit system of accounting, introduced by the Bank of Nova Scotia in 1901, we see the first clear signs of the application and diffusion of scientific management in the office. The bank was more concerned with general production of work, rather than the calibration of every move and gesture of the clerk. As Lowe explains in his Doctoral thesis -

The bank expected each employee to perform a certain number of units of work a month with the amount increasing through the first seven years of employment. Each month officials completed numerous forms and records measuring the number of units completed by every officer, and sent them to head office.⁴²

We can only wonder how many clerks were required to process and file these new office management records.

Growing division of labour and authority in the office necessitated the inculcation of ideas of worker loyalty and obedience. This in the pre-First World War period, constituted the bourgeoisie's major concern. The growth in the size of the office, and the development of managerial practices made clear the problems inherent in office organisational procedures. It was only after the conclusion of the war that American capitalists undertook the "scientific" analysis of these problems and an intensification in the fall of the status of white collar workers realized.⁴³

Classification of the clerk within the developing capitalist economy of the late nineteenth and early twentieth centuries has recently become a matter of concern within Canadian historiography. Two Doctoral theses emanating from Toronto in 1978, on the subject of clerks in that city, provide the basis and starting point of analysis of clerks in Canada. These theses are Graham S. Lowe's "The Emergence of a White Collar Work Force in Toronto, 1895-1911" and David G. Coombs' "The Emergence of a White-Collar Work Force in Toronto, 1895-1911". Both were completed at York University. Both theses, surprisingly enough, reach the same conclusion as to the lowering of status of the clerk within society in general. If we may quote from Coombs -

This survey of changing white collar working conditions during the period of [economic] expansion illustrates clearly that lower level clerical workers suffered a deterioration in their work experience. A relative decline in salaries, an increase in regimentation, both on and off the job, and an increase in job specialization and division of labour contributed to this decline.⁴⁴

Lowe underlines Coombs' analysis by stating that "many of these [white collar] jobs suffered a loss of status as economic rewards and job conditions deteriorated relative to nineteenth century standards."⁴⁵ The key to both their analyses rests on the assumption that one can look at clerical positions as a classification consistent over the nineteenth and twentieth centuries. Through the "explosion" of white-collar workers in the banks, insurance companies, manufacturing firms, and department stores, Lowe is able to argue a deterioration in the status of these workers. For example, Lowe provides us with the

case of sales clerks at Eaton's department store as an illustration of this increasing alienation. As he writes -

No longer did Eaton have clerks drop by his house for tea or a meal as was the case in the 1870's and early 1880's. The personal contact between senior management staff and clerical staff had diminished radically as department heads became the authority figures both in the offices and throughout the store.⁴⁶

While we may feel nostalgic for a return to this more "personal" type of paternal working conditions, the quote provides a clue to the serious theoretical problems encountered in both works. Both authors have classified corporate executives, management and other supervisory personnel with the junior clerk, ledgerkeeper, bookkeeper, stenographer, and various types of clerical workers as white collar workers. This slipshod analysis can only lead to questionable conclusions. The point of reference is not the office per se as the expression of clerical work, but rather an analysis of these workers in terms of class i.e., relations to capital which will lead to a greater understanding of this fall in status. Classification of clerical workers simply on the geographical location of their jobs (i.e., within the office) can lead to no firm conclusions. Rather, an analysis based upon the objective needs and requirements of the developing finance capitalist stage of production, is the first point of reference - the basis upon which any analysis of these workers must begin. That the average clerical worker would no longer have tea with the capitalist is not to be lamented, or even assumed as a possibility in a class divided society, but instead an

expression of that division.

The problematic which these two historians from York have engaged upon finds its origin in what are generally considered the three "pioneering" works in the study of clerical workers. They are David Lockwood's, The Blackcoated Worker, A Study in Class Consciousness, J.R. Dale's The Clerk in History, and C. Wright Mills' White Collar, The American Middle Class.

A more careful reading, particularly of Lockwood's Blackcoated Worker, would have cleared up some of the theoretical problems found in both York historians' work. The clerks' loss of status and position within Canadian society noted by these historians between 1870 and 1911, would seem to be a change corresponding to actual developments within the Canadian economy and thus the office. As Lockwood points out for England between 1850 and 1880 the "counting house" or office, "was small, the division of labour slight and intimate. The size of the office was restricted, not only by the scale of the business operations, but also by the nature of business accounting."⁴⁷ Office records, as such, tended to be viewed as legal documents and generally a guide to business decisions, rather than a statistical basis for costing and sales which in Lockwood's words "was a part of a later trend of 'scientific management'."⁴⁸ Within such a system, it would appear that the relations between employer and employee would be more intimate, as the clerk, at least, within the merchant house would come from a similar class background. The bookkeeper or cashier dealt with the financial records and the ordinary clerk would be responsible for correspondence, filing, elementary

bookkeeping etc. It is only within this context of transition in Canada, from mercantile to industrial and to finance capitalism, which process Piedalue argues was begun in the 1890's, that we can understand the new division of labour within the office. As well, Lockwood writes -

No doubt the term clerk was used in a much wider sense in the world of the counting house than it is today, and many of the clerks mentioned at the earlier period were probably performing duties which nowadays would be classified as managerial.⁴⁹

From this we can see that the classification of clerks as a continual body from 1870 to 1911, is at best, a slight distortion of the social reality. Thus arguments surrounding the loss of status within a continuous definition of the clerk, as anyone working within an office, is somewhat mystifying.

Lockwood also points out that there were primarily two "classes" of clerks in Great Britain in the period before the rise of finance capitalism. Clerks in banking, the civil service, and insurance companies tended to maintain fairly respectable middle-class ways of life. The larger proportion of clerks found in other areas of the economy, however, were often unable to realize middle-class status in a financial sense despite their striving socially to identify with it.⁵⁰ A beginner's position within one of these two groups rested partly "by nepotism, personal recommendation by the influential, and privileged entry."⁵¹ In other words so-called "mobility" within the firm was determined by class.

Classification of clerks, then, requires careful distinction between

clerks who actually undertook clerical work and the managers of the office and the executives. The transition of the office from the counting house days prevalent to 1870 and general office growth after that date requires similar distinctions. The assertion that "an attentive young man could gain rapid advancement by paying attention to the advice of his superiors,"⁵² would also need reformulation.

The emphasis put by Lowe and Coombs on the decline of status and working conditions of the "white-collar" worker, echoes similar assumptions drawn by J.R. Dale and C.Wright Mills. By emphasizing their loss of status, these authors have presented an a-historical lamentation to a mythical past which can lead to no firm conclusions as to the actual "living" experiences of these workers. Dale argues that -

The clerk of tradition is not an impressive figure. In the literature of the last two centuries, he has rarely appeared in a robust or romantic role, being more frequently an object of pity or derision, pursuing an inferior occupation in undesirable conditions.⁵³

After a series of questionnaires and surveys of clerks in industry presented as a guide to the general "consciousness" of the clerical worker, Dale concludes that there is little hope for the survival of the male clerk. He argues that,

As the techniques of work study are increasingly applied to the office as the measurement and costing of clerical work become more precise, no office manager will be able to employ men on routine work which can be done at half the cost by women or machine. The routine clerk will not merely fall in status: he will disappear, as his junior, the office boy, has already done.⁵⁴

The clerk, thus, is only to be pitied in that he will not be able

to meet the demands of the new, more rational office division. The alternative, therefore, is to "train" the new clerk accordingly, to meet the demands of the new scientifically programmed office. If there is anything of interest in Dale's polemic for the more rational and extended use of scientific management, within the office, it is that very problem. For Coombs and more explicitly Lowe assume that the principles of scientific management, as expounded by Taylor and others of his ilk, were introduced into the office in the period 1895 to 1911. This assertion needs more research before a final conclusion can be reached.

Mills, as Dales, seeks to portray the clerk in a Kafkaesque cloak of doom and estrangement. The clerk is not seen as a worker intrinsically involved in a dialectical conflictual relationship with the owners of the means of production (or their visible "gunslinger" other half, the managers), but as a people who have "slipped quietly into modern society."⁵⁵ He goes on to write that -

Whatever history they have had is a history without events; whatever common interests they have do not lead to unity; whatever future they have will not be of their own making. [...] Even if they gained the will to act their actions would be less a movement than a tangle of unconnected contests, as individuals they do not practice an independent way of life They have been taken for granted as familiar actors of the urban mass.⁵⁶

This work is nothing more than the principles of scientific management legitimized and mystified by bourgeois structural sociology at its worst. The worker is nothing more than a pawn, an actor of the urban mass. All self-respect and value (in a personal, not capitalistic,

sense) has been expunged in the excruciating process of work. The worker is reduced to nothing more than a statistical machine, not to be pitied or lamented, as in Dale's case, but to be looked down upon and dissected. The problematic again revolves around the ephermal concept of status, or, loss of it. Workers are reduced to mere shadows of their being, scrambling to outdo each other, in the great American pursuit of "the good life".

All life is reduced to a caricature of its former self, in this approach. The point is not to belittle the worker as an automaton incapable of response or organized action. It is to explain that process so that we may understand the work experience of the clerical worker in the context of a developing capitalist economy which has, it would seem, as its goal, the reduction of the worker to that state which Mills sought to decry.

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Chapter Three - The Guarantee Bourgeoisie and its Relationship to
Canadian Finance Capitalism.

To prevent possible misunderstanding of a word, I paint the capitalist and the landlord in no sense couleur de rose. But here individuals are dealt with only in so far as they are the personifications of economic categories, embodiments of particular class-relations and class-interests. My standpoint, from which the evolution of the economic formation of society is viewed as a process of natural history, can less than any other make the individual responsible for relations whose creature he socially remains, however he may subjectively raise himself above them.

Karl Marx¹

The Guarantee Company was at once the expression of and the embodiment of class-relations and class-interests. The bourgeoisie of late nineteenth and early twentieth centuries Montreal can only be understood through an analysis of the economic foundation on which its hegemony in society was based. The establishment, growth, and development of an economic institution, such as the Guarantee Company, presents the objectification of bourgeois economic control. It is an institution marching through history with its own history. As well it is history in that, as it is the objectification of certain economic relationships, it is also the realization of class-relations and class-interests, i.e., of particular people who actually were identified with the company and made its history. What is crucial is that we cannot simply view the company in and of itself as making history,

but rather one point whereby we may more effectively isolate and study the social relations of production and exploitation. By Examining such questions as share control, board of director membership, and the investment policy of the firm, I hope to show through a study of the Guarantee Company, the basis of bourgeois control in general, and, more specifically, to identify the individuals who actually exercised this control and their relationships within the business community. From this we may begin to more fruitfully discuss the general concept of class in Montreal within the period, 1871-1919.

Section one of this chapter outlines share control of the company and its resulting influence on the composition of the board of directors. Shareholder books for the period were found in the company archives; shareholder lists were also published in the Superintendent of Insurance reports in the Sessional Papers. Section two places the Guarantee Company within the context of a growing economic unit of production (the Bank of Montreal group), uniting financial and industrial capital which gave rise to finance capitalism at the turn of the century. Various biographical materials of the period, directories, banks and insurance reports in the Sessional Papers, newspapers, and the Annual Financial Review were utilized to determine corporate linkages of the members of the Guarantee Company board. Gilles Piédalue's thesis, "La Bourgeoisie Canadienne et le Problème de la Réalisation du Profit au Canada, 1900-1930", and T.W. Acheson's article, "The National Policy and the Industrialization of the Maritimes, 1880-1910", are the two

major sources in Canadian historiography concerned with the rise of finance capitalism in Canada. These two works were utilized as a theoretical guide in placing the Guarantee Company within this process.

Section three focusses on investment policies of the Guarantee Company. Lists of the company's investments were published in the Sessional Papers and checked against the minute books of the company. Section four synthesizes and expands the theoretical formulation of the previous three sections.

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As we have seen in Chapter One, the appropriation of premium payments was the major source of revenue for the Guarantee Company. With the diversification and growth of the Canadian economy in the 1890's this source of revenue extended from its base in the banks, railways, and express companies to include all types of industrial, financial, and service companies. The accumulation of premium payments touched workers in all areas of the economy. The premium payments came under the jurisdictional control of the company as a "body politic", - i.e., the title was in the corporation, both a theoretical and legal concept in Canadian company law. In practical terms, however, it was the individual(s) who embodied the objective reality of the firm, defined the firm, and who controlled the firm. As a creation of the individual the company at once embodied a theoretical legal reality and expressed

in this form the sanction of the Canadian state, and the desires and aspirations of those who controlled it. As a legal entity it was thus commissioned to exploit.

The company charter, or the title of incorporation, made clear that the expression of control and the instrument of control in the company was to rest in the board of directors. The charter stated that for,

The management of the affairs of the Company, there shall be nine Directors, who shall be elected by the Shareholders provided always during his directorship [he be], the proprietor in his own name and right of not less than twenty shares of the capital stock of the Company, and be moreover a resident in the Province, and a natural born or naturalized subject of Her Majesty²

Directorships were theoretically responsible to the shareholders (the possessors of capital), but had wide discretionary powers in formulating company policy.³ The members on the board of directors were the representatives of the possessors (and by the terms of the charter they had to hold shares as well) of capital and the key people in the company's power and administrative structure. As J.M. Chevalier has written -

Enfin, le conseil d'administration représente plus ou moins fidèlement les différents groupes qui peuvent influencer la marche de la société: c'est finalement bien lui qui assure la liaison entre le capital et le pouvoir.⁴

Aside from the legal requirements on which the board was formed, membership proved to be the active vehicle or legal mechanism, by which the bourgeoisie actively pursued its economic control over the means

production.⁵ The most direct method in acquiring control of a company was through control of shares. Different criteria have been used in determining the necessary amount of shares a group, family, or individual require before effective control of the corporation is realized. Berle and Means in their The Modern Corporation and Private Property, argued that twenty per cent of share capital was required for effective control.⁶ Some have argued that ten per cent is necessary, and still others that less than five per cent is sufficient to gain control.⁷ The question is somewhat problematical. Effective control of the corporation can take various forms other than simple share control - although this is the most apparent and convincing criteria in a proxy battle. Investment policies, corporate objectives, and inter-corporate relationships, when combined with an apparent share control, can lead to the successful identification of a controlling group.

The Guarantee Company exhibited throughout the period from 1871 to 1919 strong characteristics of share control by the members of its board of directors and various individuals on the board. Table 3.1 summarizes the percentage total number of shares held by the board and the different individual and family centres of voting share capital for various years:

Table 3.1⁸

<u>Board of Director Share Control</u>			
<u>YEAR</u>	<u>Largest Shareholder</u>	<u>% Controlled by Largest Shareholder</u>	<u>% Controlled by Board Members</u>
1883	Sir A.T. Galt	9	21
1893	Edward Rawlings	33	49
1903	Edward Rawlings	40	52
1913	Rawlings Family	40	10
1919	Rawlings Family	30	6

The concentration of shares held by the board of directors throughout the period, illustrates the degree of their influence and control. Sir Alexander Tilloch Galt was the largest shareholder until 1883 and President up to 1887. The Honorable James Ferrier became the single largest shareholder, and President in 1887, remaining in that position until his death in December of 1888. Galt took over as President with Ferrier's death, and held it until his own death in 1893. However, the Managing Director, Edward Rawlings, in 1888 became the largest shareholder, largely by buying out Galt's shares in the company.⁹ In 1893 Rawlings, as the largest shareholder, assumed the Presidency, and continued in it to his death in 1911. Throughout the period from 1893 to 1911 he retained a major portion of the company's stock never significantly falling below forty per cent of total voting stock. Rawlings' shares were willed to his widow, Lucretia, thereby explaining the divergence between the ten per cent held by the board and the forty per cent block held by the Rawlings family. Edward Rawlings' son, Henry, on the board from 1905, became the

family's representative on the board. In 1912 Hartland S. Macdougall, on the board since 1885, became President and lasted until his death in 1917.

Until 1888, prominent capitalists such as Galt and Ferrier were dominant in terms of share control and occupancy of the single most important executive position in the company, the presidency. Afterwards share control passed to Edward Rawlings and remained in the hands of his family long after his death in 1911. From 1894 until 1960, with the short interval of Macdougall's presidency, a Rawlings - first Henry until 1949 and then H. Millar his son - were presidents of the company.

The simple dichotomy between share control and corporate control, however, obscures other variables which may lead to distinguishing ultimate corporate control. Galt and Ferrier were active in a myriad of business enterprises throughout their careers. Board membership, as such, initially followed and reflected their business interests. The direction and financial policies of the company developed along lines whereby it came within the orbit of a developing and what came to be a dominant centre of capital in Canada, the Bank of Montreal group.¹⁰ Effective control after 1888 came to Rawlings but the life and breath of the company came from its situation within the alliance. Both were mutually beneficial. Share control rested in Rawlings while membership on the board and investment funds of the company were channelled into specific corporations within the group. The strong

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pulling effects of Montreal capital toward a central point of control from which power extended began in this period. Disguised as an ephemeral force with no visible sign of life, share and board control proved to be the silent visible "other-half" of the rationalization process of capital accumulation. Membership on the board, therefore, reflected throughout the period an orientation which by the 1890's and early 1900's was solidified with the rise of finance capitalism in Canada.

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An examination of the Guarantee Company board of directors, between the years 1872 and 1919, reveal that forty different men occupied seats over the period. One determining factor for selection to the board rested on the amount of business one could presumably bring the company from outside affiliations. The range of companies represented by members of the board for 1873, 1883, 1893, 1903, 1913, and 1919 is an indication that outside corporate links were important for the business of the company. As well, these links identified the company with various centres of corporate power through linkages visible by board membership. Appendix Number One lists the members of the company's boards, the years served, and their corporate connections for the years specified above. Table 3.2 summarizes these findings in quantitative form.

Table 3.2¹¹Corporate Affiliations of New Members of the Board

<u>YEAR</u>	<u>Number</u>						<u>Total</u>
	<u># of New Directors</u>	<u>Bank</u>	<u>Insurance</u>	<u>Industry, Mining</u>	<u>Railways</u>	<u>Other</u>	
1873	11	9	13	6	4	8	40
1883	5	3	3	2	3	2	13
1893	7	3	2	6	5	11	27
1903	2	2	--	--	2	--	4
1913	3	1	3	--	1	5	10
1919	<u>7</u>	<u>5</u>	<u>4</u>	<u>14</u>	<u>7</u>	<u>14</u>	<u>44</u>
Total	35	23	25	28	22	40	138

Table 3.2 demonstrates the widespread links between various corporations embodied in the capitalists present on the Guarantee Company board. Affiliations between men engaged in the financial sector and industry, in 1873 demonstrate an emerging pattern which became dominant at the end of the century. The addition of seven new members to the board in the period between 1883 and 1893, brought affiliations with twenty-seven seats of power in various corporations. Forty-four new connections, brought by seven members in the 1913-1919 period, highlighted the importance of choosing men of "reputation" and power within the corporate world for its necessary patronage, business, and identity. The one dominating feature in the affiliations of many of these new members to the Guarantee Company throughout the period was their connections to the Bank of Montreal - an institution leading the development of finance capitalism in Canada at the turn of the twentieth century.¹²

Members on the Guarantee Company board who held positions with the Bank of Montreal included Sir A.T. Galt (Director of the Bank, 1873-1880), Edward Mackay (Director, 1873-1883), Wentworth J. Buchanan (General Manager, 1881-1890), Sir Edward Clouston (General Manager, 1890-1911, Vice-president, 1905-1911, Director, 1905-1912), Sir Vincent Meredith (General Manager, 1911-1913, Director, 1910-1929, President 1913-1927), William McMaster (Director, 1913-1930) and Baron Thomas G. Shaughnessey (Director, 1907-1923).¹³ Other groups of capital were represented on the board, for example E.F. Healden and George Hague represented Merchant Bank interests, but the main locus of affiliation rested with the Bank of Montreal. Gilles Piédalue in his article "Les Groupes financiers au Canada, 1900-1930", argues that the Bank of Montreal formed the focus of a group which "existe tout au long de ce premier tiers du XX^e siècle, une communauté d'intérêts économiques bien intégrée parmi les administrateurs des sociétés les plus importantes."¹⁴ Table 3.3 shows in statistical form the corporate interconnections of Guarantee Company - Bank of Montreal directors:

Table 3.3¹⁵

Corporate Affiliations of Guarantee Company -
Bank of Montreal Board Members.

<u>NAME</u>	<u>Banks</u>	<u>Insurance</u>	<u>Industry, Mining</u>	<u>Railways</u>	<u>Other</u>	<u>Total</u>
Sir A.T. Galt	3	3	2	4	2	14
Edward Mackay	1	2	-	-	1	4
W.J. Buchanan	1	1	-	-	-	2
Sir Ed. Clouston	1	2	1	1	2	7
Sir V. Meredith	1	2	-	1	3	7
Wm. McMaster	2	1	10	-	4	17
Baron Shaughnessey	<u>1</u>	<u>-</u>	<u>3</u>	<u>1</u>	<u>3</u>	<u>8</u>
Total	10	11	16	7	15	59

Guarantee Company - Bank of Montreal board members represented fifty-nine separate corporate affiliations. This represented forty-three per cent of the total one hundred thirty-eight affiliations held by new members on the company board over the period. These board members were not simply confined to merchant or financial institutions,¹⁶ but were directly involved in a fusion of financial and industrial capital, throughout the period. By the turn of the century, the groundwork laid in the preceeding period led to the rise of finance capitalism in Canada. The Guarantee Company's position as a secondary institution of capital accumulation was firmly affixed and identified with an ever expanding group of corporations, controlled by a small number of men, merging financial and industrial capital in clearly identifiable groups.

This rationalizing process of capital into ever increasing centres of economic control and power was a major argument in Gilles Piédalue's

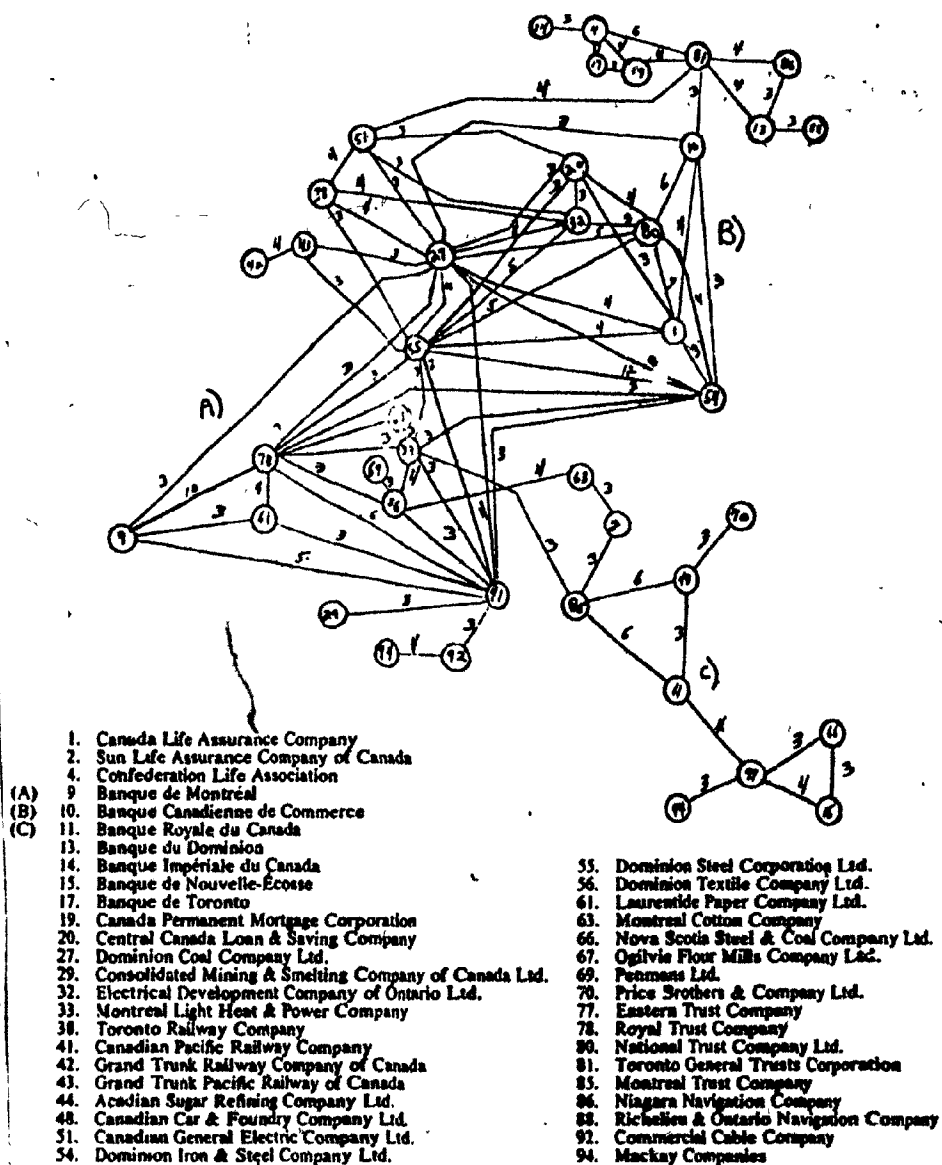
thesis, "La Bourgeoisie Canadienne et le Problème de la Réalisation du Profit au Canada, 1900-1930." Spurred on by declining rates of profit in the industrial sector,¹⁷ and increasing monopolization in all sectors,¹⁸ the triumph of finance capitalism, he argues, was firmly achieved in Canada by 1910. Chart number one, taken from Piédalue's thesis reveals the linkages between institutions of capital accumulation, for 1910.-

The rather complex nature of inter-corporate linkages, portrayed in the chart, reveal the extent to which bourgeois "mystification" of their commanding position within the economy went. It is clear, though, from this chart, that the linkages were indeed impressive. As the Guarantee Company was identified with the Bank of Montreal, I will concentrate on their links to other corporations, rather than explain the entire development of finance capitalism as portrayed in this chart.

Five members on the Bank of Montreal were found on the board of the CPR which in turn controlled the Commercial Cable Co., the Mackay Companies, and the Consolidated Mining and Smelting Co. of Canada. Three members were also found on the board of Laurentide Paper Co. Ten of the sixteen members on the board of the Royal Trust came from the Bank. Royal Trust directors, in turn, placed three members on the CPR, six members on Dominion Textile (which controlled Penmans Ltd.). Three members were also placed, through the Royal Trust, on the board of the Montreal Light, Heat and Power Company, Ogilvie Flour Mills, Dominion Steel Corporation, Dominion Iron and Steel Company

CHART ONE¹⁹Canadian Financial Groups

(three common directors or more.)



and the Dominion Coal Co.

From its position on the Dominion Coal Co., Bank of Montreal links spread to the Grand Trunk Railway, Grand Trunk Pacific, Canada Life Assurance, the Canadian Bank of Commerce and a myriad of other institutions linked to the Bank of Commerce. Bank of Montreal directors found on the Dominion Steel Corporation brought it again into contact with the Bank of Commerce group.

Dominion Textile directorships, and seats held on the Montreal Light, Heat and Power Co., connected Bank of Montreal directors with the Sun Life group headed by T.B. Macaulay and the Royal Bank, led by Sir Herbert Holt. These inter-corporate links, expressed the merging of financial and industrial capital in Canada. There was a qualitative difference between members solely associated with the Guarantee Company (Edward Rawlings, Robert Kerr) and those with the Bank of Montreal (Clouston, Meredith etc., see Appendix #1). The sole criteria for this difference was based on the amount of capital controlled in an institution and thus, the ability to select a number of directors reflecting that control. The Guarantee Company, as realized by its board of directors, became part of an ever growing group of companies, which, taken as a whole, formed an all encompassing economic "unit". The Guarantee Company's role as such was to bond and guarantee the honesty of the workers within these units. Its affiliation with the Bank of Montreal, and other groups of capital, legitimized its function, as an economic unit of accumulation within an integrated economic whole. It is only by placing the Guarantee Company within this economic

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context, that we can see with Karl Marx, the capitalist as "the personification of economic categories, embodiments of particular class-relations and class-interests."²⁰

The establishment of the Guarantee Company was then but one other company within an economic system uniting various Montreal and Canadian capitalists in an institution of capital accumulation. In this period, control of banks, insurance companies, commercial houses, railroads, and manufacturing companies controlled by the bourgeoisie were represented on the board of directors of the Guarantee Company. The growth and development of the company was but a means whereby capital could be expropriated and centralized in defined institutions by the controlling bourgeoisie. This, as we have seen in Chapter One, was a process which extended across Canada with development of local boards of directors. The local boards also proved a valuable institutional framework in which finance capitalism came to dominate the Canadian economy.

Institutions of capital accumulation controlled by the company's board expanded across Canada in the early 1870's. Directorships at local branches of the company reflected this extension of what proved to be an initial expansion by Montreal capital into those areas. In the early 1870's Sir Alexander Galt in association with Sir Hugh Allan, Donald Smith, George Stephens, and other Montreal capitalists began their invasion of the Maritimes. T.W. Acheson in his article, "The National Policy and the Industrialization of the Maritimes, 1880-1910", writes of the gradual takeover of Maritime business (railroads, sugar,

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textiles, and coal and steel mills) largely by Montreal capitalists. Aided by Macdonald's National Policy of 1879, Acheson argues, Montreal capitalists from 1880 to 1910 were able, through the efforts of a comprador bourgeoisie and their political representatives (such as J.F. Stairs, Thomas Kenny and Adam Burns), to gain control of these sectors of the Maritime economy. In 1873 the name of William Stairs (brother of John F. Stairs), Thomas Kenny, and Adam Burns appear as the local directors of the Guarantee Company in Halifax. Acheson writes that "the entry of Montreal into the Maritimes region was not a new phenomenon" of the twentieth century, but dated back to 1879 with the completion of the Intercolonial Railway and the imposition of the coal duties. Montreal railway entrepreneurs then moved to control both the major rail systems of New Brunswick and the Nova Scotia coalfields.²¹ Stairs, Kenny, and Burns were among the prime visible actors in the development of what Acheson defined as "the new Halifax finance capitalism,"²² of the 1890's. This was accomplished by their involvement in the mergers of the various banks (eg., Union Bank), sugar companies (eg., Acadia Sugar), and holding companies such as Royal Securities and the Trinidad Electric and Demerara Electric corporations. Stairs and Kenny were also instrumental in the C.P.R. acquiring control of the Springhill Mining Co. and the International Mine in Sydney in 1884.

The interconnections, however, between Montreal capitalists and the Maritimes were established in the early 1870's. In 1871 Kenny and Stairs

appear as incorporators of D.L. Macpherson's Inter-Oceanic Railway Company of Canada, the rival to Sir Hugh Allan's C.P.R. Along with Kenny and Stairs were former and contemporary business partners of Sir Alexander Galt, the Hon. William McMaster, David Torrance, H.P. Howland, M.P., as well as Casimir S. Gzowski. Galt and Allan formed the Northern and Western Railway Company of New Brunswick in 1873 with the help of Kenny in the provincial legislature. 1873 witnessed the beginning of a decade long battle involving Galt, Allan, Rankin and other Montreal capitalists to gain control of the Maritimes Bank based in Halifax.²³ It was thus no coincidence that Stairs, Kenny and Burns found themselves on the Guarantee Company's local board based in Halifax, as these were the men facilitating Montreal capitalists entrance into the Maritimes.

Thus by the middle and late 1880's the Guarantee Company reflected in its board membership, strong lines of corporate interconnections in the Montreal business community. These interconnections circled the Bank of Montreal and the newly created C.P.R. As an institution of capital accumulation, control of the company by the Montreal bourgeoisie, had important implications in determining the corporate investment policies and in solidifying that control. It was through control of the directorships, the control of the direction of capital, and the extraction of surplus capital from the company employees that the bourgeoisie perpetuated and realized its position as the hegemonic force in that society.

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The investment policies of the Guarantee Company were important for two reasons; they provided a source of revenue through interest and dividend payments, and they provided a mechanism for financial control of other corporations. A characteristic of finance capitalism is the interconnecting links established between corporations through stock holding, thereby keeping firms within the group interdependent. Table 3.4 provides a breakdown of the Guarantee Company's investments into total value, and the relationship between bonds and stocks for various years. Appendix Number 2 lists the bonds and stocks held by the company for these years.

Table 3.4²⁴

Bond and Stock Holdings

<u>YEAR</u>	<u>Total Market Value(\$)</u>	<u>Bonds (\$)</u>	<u>Stocks (\$)</u>
1881	94,405	93,999	406
1891	620,254	437,640	182,614
1901	830,172	343,505	486,667
1911	1,306,285	453,930	852,355
1919	1,886,418	1,200,252	686,166

As a medium sized firm, the investment policy of the company followed a conservative pattern in the first two years (1881,1891),

of the Table. Adhering to the amount of paid-up capital and regulations of the Insurance Act of 1868 (and its revisions in 1873 and 1878), the company invested heavily in Montreal Corporation and Harbour bonds amounting to two-thirds of its investment. By the Insurance Act of 1868, fifty thousand dollars in Dominion, provincial, or municipal bonds had to be deposited with the Receiver General in Ottawa.²⁵ Investment in Montreal Corporation bonds provided a safe return on their investment as well helped stabilize the city's finances. Montreal harbour bonds provided much needed capital in the Harbour Commissioners' plans to upgrade the waterfront for shipping and navigation.

The establishment of the United States Guarantee Company in 1889 consumed much of the capital invested in stocks in 1891, and gave the Guarantee Company voting control in that company. As the company was now operating a branch in New York State, a two hundred thousand dollar bond deposit was required by Albany. Fifteen thousand dollars were also deposited in Richmond, Va., for a similar reason. Requirements to invest in American government (state or federal) bonds assured the state of the viability of the company undertaking business in that state, as well as providing a market for government securities.

In 1901 over fifty per cent of the company's portfolio were in various stocks. Again the USGC was the beneficiary of the largest share of stock held by the company. The Montreal Telegraph Co., with William McMaster as president with William Wainwright and H.E. Rawlings directors, and the Bank of Montreal were favoured areas of investment.

The Montreal Street Railway Co. had R.B. Angus of the C.P.R. on its board of directors. The Merchants Bank was part of Andrew Allan's empire and was to merge with the Bank of Montreal in 1922. George Hague and later E.F. Hebden represented these interests on the board leading to a sizable amount of shares held in the bank. The Montreal Telegraph Company was also part of Allan's corporations and received its share of Guarantee Company investment.²⁶ Montreal Gas Co. was allied with Rodolphe Forget and the Montreal Light, Heat and Power Company. Stock held in the Western Union Telegraph Co. may have reflected the importance which that account held for the company as well as the corporate links between American members of the board and American capital. The interconnections between the Mackay Companies, of which several board members were directors or trustees, and its links with American Telephone and Telegraph and Bell Canada help explain the company's large share of stock in that company.

The diffusion of investment capital into different centres of capital accumulation (i.e. the Bank of Montreal, Merchants Bank, and the Royal Bank) at once points to the interdependence of capital despite their competitive public appearance. This supports Acheson and Piédalue's view that finance capitalism was developing in Canada in the early twentieth century. Representation on the board reinforced powers of control not only in the management of the company, but in its investment policies as well. Seats on the board of directors reflected the dominant position of the Bank of Montreal group but allowed

divergent groups to be represented reinforcing the interconnections between various capitalists, thus perpetuating their control and power.

In 1911 almost double the amount of capital was placed in stocks as were put into bonds. One major shift in the company's stock portfolio was the value of stock held in the Bell Telephone, whose worth exceeded that invested in the United States Guarantee Company. The Canadian and American bourgeoisies' interconnections were strengthened by the firm's investments in the Pennsylvania R.R. co., and the Chicago, Milwaukee and St. Paul R.R. Thomas DeWitt Cuyler, Henry T. Totnell, and Samuel Rea, former business partners of J.P. Morgan, were on the company's local board in Philadelphia, as well as directors of the Pennsylvania R.R.²⁷ The Chicago, Milwaukee and St. Paul R.R. had close ties with the Grand Trunk Railway, William Wainwright, the company's vice president, held similar positions in both railways. As well the company had cash deposits totalling \$240,353 in thirty-one banks in Canada and the United States.²⁸ All of these banks had their employees bonded by the company,²⁹ and many found their representatives on local boards, thereby continuing a network of contacts and strengthening ties with American capital.

The financing of the First World War at once tied up capital in war related industries and government bonds, while generating a great surge in private investment which even Robert C. Brown and Ramsay Cook note "paid their dividends."³⁰ As well it is interesting to note that while loans were floated on the London and New York money markets, the Canadian bourgeoisie bought most of the major "Victory Loans"

of 1917 and 1918. The company subscribed thirty per cent of its investment funds into Canadian War and Victory Loans. The company held three hundred thousand dollars in the first Victory Loan of 1917, which floated for one hundred million dollars. The Victory Loans yielded a rate of interest of five and one half per cent (to mature in 1933 and 1934) much the highest rate of any bonds held by the company. Funds garnered through interest payments and the shareholders' fund were diverted for these acquisitions.

The sale of the company's interests in the USGC, represented the major change in the company's portfolio and a significant loss in its position within the guarantee sector. Much remains unclear as to the reasons for the sale, but political pressure was brought to bear to force the sale.³¹ The state of New York in which the USGC was based, did not allow one insurance company to own a majority of shares in another insurance company, transacting similar types of business.³² This regulation was passed in 1907 following the New York investigation of insurance companies operating in that state, but never enforced against the Guarantee Company until the war. British companies made offers to buy out the Guarantee Company's interests in the USGC, but were refused.³³ On December 12, 1918 the Montreal board passed a resolution

That Henry E. Rawlings, President, and Richard B. Scott, Secretary, be and they are hereby authorized to receive from the Treasurer and to sell, assign and transfer into the Chase Securities Corporation, One Thousand, Three Hundred Ninety-One (1,391) shares of the capital stock of the UNITED STATES GUARANTEE COMPANY,³⁴

Chase Securities was a subsidiary of the Chase National Bank of New York. Henry W. Cannon (an ex-president of the Bank) and Samuel H. Miller (president of the bank at the time of the sale) sat on the USGC board, and the Guarantee Company's local board in New York.³⁵ Chase Securities originally offered \$250 a share but eventually acquired them for \$300.³⁶ Henry Rawlings retained stock in the USGC and continued in his position as Vice-President. The Guarantee Company also had one hundred shares in its former subsidiary. A proposal was made in 1920 by the President of Chase Securities to sell the USGC business to the American Surety Company.³⁷ Pressure organized by Rawlings forced the Bank to make a deal wherein its stock was sold to its present owners, Chubb and Son.³⁸ The Guarantee Company continued to transmit reinsurance agreements to the USGC.

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Control of capital, whether in the form of shares, or the state apparatus, produced "absolute control within certain limits over the capital and property of others, and thereby over the labour of others."³⁹ The control of social capital (in this instance represented in the Guarantee Company) not the individual capital of the capitalist, gave individuals control of social labour. Capitalist development led to the centralization and expropriation of capital on an enormous scale. Marx noted the development of monopolies as the means by which this

was accomplished. Lenin expanded this theory in Imperialism, the Highest Stage of Capitalism, when he wrote,

... we find that a handful of monopolists subordinate to their will all the operations, both commercial and industrial, of the whole of capitalist society; for they obtain the opportunity - by means of their banking connections, their current accounts and other financial operations - first to ascertain exactly the financial position of the various capitalists, then to control them, to influence them by restricting or enlarging, facilitating or hindering credits, and finally entirely determine their fate, determine their income, deprive them of capital, or permit them to increase their capital rapidly and to enormous dimensions, etc.⁴⁰

Centralization of control on the boards through interconnections among capitalists resulted in their control over investment funds and their direction - reaffirming their position of control. Control extended in a subtle manner from the haute bourgeoisie and the limitations imposed by them over the capitalist economic system to the smaller and medium sized firms and bourgeois strata.

While the Guarantee Company was a creation of the Canadian bourgeoisie, it was not a leading institution of capitalist accumulation, as for example Sun Life or Confederation Life were, just within the insurance sector. Direct ownership was expressed not in direct haute bourgeois control but rather in Edward Rawlings. Board membership however exhibited strong interconnections with the haute bourgeoisie and the various centres of capital in Canada and the United States.

Marx argued that the development of the joint-stock company, monopolies, and the stock exchange controlled by few, contributed to the "abolition of the capitalist mode of production within the capitalist

mode of production."⁴¹ In this he anticipated the reproduction of "a new financial aristocracy, speculators and simply nominal directors" into a system which, "in the last instance, aims at the expropriation of the means of production from all individuals."⁴² The establishment of the Guarantee Company was but one instance in the development of social production, whereby the means of production ceased to be means of production and products of private production. Their essence was realized in the stocks and investment capital controlled by the bourgeoisie through their "financial intermediaries" - the expression of their control and position.

Property existed for Marx in this stage of capitalist production in the form of stocks whose movement was a result of the "gambling on the stock exchange where the little fish are swallowed by the sharks and the lambs by the Stock-Exchange wolves."⁴³ While many of these transactions were loosely termed by Marx, in the 1860's, as a form of gambling, it is clear with Lenin that "finance capital has created the epoch of monopolies, and monopolies introduce everywhere monopolist principles: the utilization of "connections" for profitable transactions take the place of competition on the open market."⁴⁴ The development of a labour aristocracy was another indication and expression of the rise of finance capitalism. Through imperialist ventures,⁴⁵ and exploitation, the bourgeoisie was able to bribe trade union leaders and the upper stratum of the work force.⁴⁶ Legal and political frameworks were devised within which organized skilled workers were free to bargain for their

own sectorial ends, but for them alone - against, not for, the working people as a whole.⁴⁷ This analysis, however, requires further study if we are, indeed, to understand the history of the working class movement in Canada.

Rather than a system ruled by chance (here the essence of what Marx argues is correct, the form, as Lenin notes, was more complex), centralization of capital led to the obliteration of gambling as a method of procedure. Capitalist interconnections, in the control of the means of production and the financial system, were the touchstones of financial capitalism, a process Acheson and Piédalue argue occurred in early twentieth century Canada. Membership on boards of directors while an expression of possession of capital, strengthened and perpetuated bourgeois control. Powers of ultimate decision-making conferred on the board by law, formed the basis by which the new form of social capitalist production continued the rule of the bourgeoisie over the social labour and products of the worker. In a word it was a system wherein,

... the incentive of capitalist production [was] enrichment through exploitation of the labour of others to the purest and most colossal form of gambling and swindling, and to reduce more and more the number of the few who exploit the social wealth.⁴⁸

Footnotes - Chapter Three

1. K. Marx, Capital, Vol.1, (1974 ed.), p.20-1.
2. Statutes of Canada, 1851, 14-15 Vic., C. 36.
3. IBID.
4. J.-M. Chevalier, La structure financière de l'industrie américaine et le problème du contrôle dans les grandes sociétés américaines.(1970), p.26; cited in Gilles Piédalue, "Les groupes financiers au Canada, 1900-1930", Revue d'Histoire de l'Amérique française, Vol.30, 1976, p.14.
5. On this point we may recall Marx and Engels' view of the relation between the state and law -

Since the state is the form in which the individuals of a ruling class assert their common interests, and in which the whole civil society of an epoch is epitomized, it follows that the state mediates in the formation of all common institutions and that the institutions receive a political form. Hence the illusion that law is based on the will, and indeed on the will devoid from its real basis - on free will.

K.Marx & F.Engels, The German Ideology. (1972 ed.), p.87.
6. A. Berle & G.C.Means, The Modern Corporation and Private Property. (1932), p.66.
7. M. Zeitland, "Corporate Ownership and Control: The Large Corporation and the Capitalist Class", American Journal of Sociology, Vol.79, 1974, p. 1086-87.
8. Sessional Papers, "Insurance Reports", for years indicated.
9. Stock Transfer Book, GCNA, 1888-1893.
10. Piédalue, p. 25.
11. the sources used for this table are outlined in Appendix One.
12. Piédalue, p. 25.
13. M. Denison, Canada's First Bank: A History of the Bank of Montreal. Vol.2, (1967), p. 419-22.
14. Piédalue, p. 25.
15. the sources used for this table are outlined in Appendix One.
16. R.T. Naylor, The History of Canadian Business, 1867-1914. Vol.2, (1974), p. 276.

17. G. Piédalue, "La Bourgeoisie canadienne et le problème de la réalisation du profit au Canada", (unpublished Ph.D. thesis, Université de Montréal, 1976), p. 103-05.
18. W. Clement, Continental Corporate Power, Economic Linkages between Canada and the United States. (1977), p.54-65.
19. Piédalue, "La Bourgeoisie", p.370-71.
20. Marx, p. 20-1.
21. T.W. Acheson, "The National Policy and the Industrialization of the Maritimes, 1880-1910", Acadiensis, 1972, p.15.
22. IBID., p.24.
23. J.C. Hopkins, ed., Canadian Encyclopedia. (1900)* p. 240.
24. Sessional Papers, "Insurance Reports", for years specified.
25. Statutes of Canada, 1868, 31 Vic., C. 48.
26. R. Sweeny, A Guide to the Historical Records of Selected Montreal Businesses Before 1947. (1979), p.157.
27. AR-GCNA., 1911.
28. Sessional Papers, "Insurance Reports", 1911.
29. Account Book, GCNA., 1911.
30. R.C. Brown & R. Cook, Canada 1896-1921, A National Transformed.(1974), p. 231.
31. "Ship of Surety", an historical essay on the Guarantee Company with no author or date, Ed. Rawlings Papers, McCord Museum, p. 30.
32. MB-GCNA., January, 8, 1919.
33. IBID., November 4, 1918.
34. IBID., December 12, 1918.
35. AR-GCNA., 1918-20.
36. MB-GCNA., December 12, 1918.
37. "Ship of Suretyship", p. 31.
38. IBID., p. 32.
39. Marx, Vol.3, p. 437.
40. V.I. Lenin, Imperialism: The Highest Stage of Capitalism.(1973), p. 37. Lenin's emphasis.
41. Marx, Vol. 3, p. 438.
42. IBID.,
43. IBID., p. 440.

- 44. Lenin, p. 37.
- 45. Naylor, Vol.2, p. 218-67.
- 46. Foster, p. 4.
- 47. IBID., p. 31.
- 48. Marx, Vol.3, p. 441.

Chapter Four - A Critique of the Structuralist and Entrepreneurial
Schools of Canadian Business History.

The writing of Canadian business history has been influenced by two schools of historical thought. The critique of E.P. Neufeld's, The Financial System, provided in the first section of this chapter, is an example of the structural school of business history. In this school, business institutions take their turn centre stage as the object of analysis, as history. No reference is made to the actual men engaged in its creation. Despite the nature of this critique, Neufeld's study was an impressive compilation and statistical analysis of the development of the financial sector in Canada. It was based on scientific analysis of the data available and offers interpretations (however much I may disagree with them) based on the facts as presented. As such, Neufeld's work remains an outstanding contribution to Canadian historiography and an example of a scientific approach to the subject.

The "scientific" approach of the entrepreneurial school, however, in my view, is less rigorously formulated. As will be argued in the second section, the roots of this school can be found in the works of Max Weber and Joseph Schumpeter. There are essentially two approaches in this school. The capitalist as Robber Baron is a tradition dating back to Gustavus Myers' A History of Canadian Wealth, written in 1914. More recently, Tom Naylor's, The History of Canadian Business, 1867-1914, two volumes, written in 1975 is a continuation of the robber

baron approach in this school.

But the critique offered in the second section is directed at the approach of the entrepreneur as saint. The roots of this school will be traced to the turn of the century and an analysis of its influence to the present day proposed.

The final section of this chapter attempts to link this school's approach with the capitalist self-image as the "self-made man." Allan Smith's article on "The Myth of the Self-Made Man in English Canada, 1850-1914" provides a valuable introduction to the development of capitalist myth making at the turn of the century.

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E.P. Neufeld, in his The Financial System of Canada, describes the role of financial institutions as a process where the "accumulation of surplus funds, which may or may not arise from savings out of income" are directed "usually to final users."¹ The process was a typically sanitary function, one brought about in strict bourgeois economics by the advantages to be gained from economies of scale and product differentiation. Economies of scale were brought about by reducing administrative costs in transferring funds from those in surplus to those in deficit - to the mutual benefit of both parties. Product differentiation led to the increased "satisfaction" that lenders receive from a given stock of wealth, by making an increased variety

of financial claims available to them. This resulted in increased "economic efficiency outside the financial system by improving the way the nation's capital is allocated, "² Innovation, whether administrative improvements, structural developments in the economy, or changes in "taste" patterns were the flywheel around which financial institutions turned, altered their basic characteristics or achieved the pinnacle of financial success.

Echoing the nineteenth century moralisms expounded by the Guarantee Company, that suretyship led to the "most forceful and beneficial effect" upon the employer and community, Neufeld offers the reader a contemporary homily on the benefits of financial intermediaries:

Individuals are free to devote more of their time to other pursuits which will increase living standards (i.e. consumer satisfaction), whether those other pursuits are income-generating or involve increased leisure or more likely do both.³

Neufeld's analysis of financial intermediaries in British North America and Canada to 1970, has led him to a familiar conclusion - the interests of the people have been served by these institutions and they are better off because of them. Neufeld's assertion that because living standards increased (no evidence is offered on this point as to time, or for whom) can be seen to reinforce the ideological justifications put forward by the business community. By returning to the speech of W.H. Hall before the Insurance Institute of Toronto in 1913, referred to in Chapter One, we can elaborate on the purpose for the formation of surety companies, and by implication for financial intermediaries in general :

In our time it was seen that the protection of a surety bond would be a good thing in connection with positions of trust generally, altogether outside of court jurisdictions, and thinking men realizing the necessity therefore, organized the surety company primarily as a source of profit to themselves⁴

The justification, then, for the establishment of these companies, while intertwined in the official line of service to the community, was that it could meet the critical "objective" assessment of capitalism; it provided "a source of profit to themselves," - members of the bourgeoisie. Surety companies as institutions of capital accumulation and centralization could best be rationalized in the search for legitimate profit. Thus the key element of profit and capital accumulation as a direct and overriding *raison d'être* of financial institutions was conveniently overlooked in Neufeld's analysis. If the importance of profit was a topic appropriate for the Insurance Institute of Toronto, for the papers of the day, and for board room discussion, such does not figure in Neufeld's analysis of the growth and development of the Canadian financial system.

This problem in Neufeld's analysis leads to another issue, i.e., of historical methodology. Throughout his book the structures of the Canadian financial system march before us as chartered banks, insurance companies, trust companies, building societies, etc., with careful avoidance of the men involved in the process of establishing these institutions. The social effects of the creation of the Guarantee Company were not lost to the founders nor to those who followed. It's concern with the development of proper work discipline within the

growing bureaucracies of its insured clients was of prime importance in its success as a financial intermediary. The dynamic role of the company in a purely financial sense was the accumulation of capital, primarily through premium payments and secondly from interest on securities held, ultimately left to the control of the board of directors. Neufeld's analysis by dismissing any inquiry into the controllers of these financial institutions and their investment policies, obfuscates what was in essence the primary function of these corporations. As W.H. Hall stated, the acquisition of capital and "the legitimate search for profit" for "thinking men" were the major economic functions of these institutions.

Within the developing Canadian financial sector, the alienation of capital from one segment of society to another was the dominant characteristic of production. By this we mean that -

Capital is not a thing but rather a definite social production relation, belonging to a definite historical formation of society, which is manifested in a thing and lends this thing a specific social character. Capital is not the sum of the material and produced means of production. Capital is rather the means of production transformed into capital, which in themselves are no more capital than gold or silver in itself is money. It is the means of production monopolized by a certain section of society, confronting living labour-power as products, and working conditions rendered independent of this very labour-power, which are personified through this antithesis in capital.

Capital in short expresses the major economic relations of capitalism by which labour-power and its products are rendered into use-value, i.e., money, capital, specie, etc. All acts of exchange, then, are characterized by the mutual transfer of the power to use-value forms.

The crucial concept for our purposes remains capital that is "monopolized by a certain section of society" Neufeld's analysis negates this relation and as such falls into a structural argument surrounding institutional progress. The various contemporary apologists and propagandists (as seen in W.H. Hall and the Guarantee Company pamphlets), propose a similar method of analysis and explanation of their purpose and function. Mystification in the form of indoctrination of workers into the proper work habits as well as the search for legitimate profit expressed the guarantee insurance sector's perceived role and function. The acceptance by Neufeld of this problematic and method of analysis reduces his work to bourgeois ideology. The study of these institutions necessitates not simply an analysis of their role and function, but rather in the exposition of those who immediately benefitted from the establishment of these so-called impartial and effete financial intermediaries. The institution must be thrown out as a concept in and of itself, and the men/women involved in the institution studied and analyzed as the makers of history. Now we may turn to the entrepreneurial school where the capitalist is indeed seen as the maker of history.

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The entrepreneurial school is a curious mixture of the sociology of Max Weber and the economics of Joseph Schumpeter. It is from this school of historical explanation that all entrepreneurial historians

can trace their roots. In Weber's The Protestant Ethic and the Spirit of Capitalism and even more importantly in his The Theory of Social and Economic Organization, the idea of the cultural as opposed to the structural theories of capitalist development are first elucidated. The ideal capitalist is portrayed as a rational, frugal, achievement-oriented Puritan bringing about singlehandedly the great changes of social and economic organization of the capitalist mode of production. The capitalist is thus measured by a rationalism of economic action typified in Weber's analysis, by his ability

to designate the extent of quantitative calculation or accounting which is technically possible & which is actually adopted.⁶

The concept of rationality has been extended by Weber to cover general notions of efficiency in business, such as keeping appointments on time, making plans on the basis of adequate information and calculation of costs, and having universalistic criteria of hiring as opposed to nepotistic enterprises - which have been used to characterize Third World and all "backward societies."⁷

Joseph Schumpeter adds another dimension to Weber's initial articulation of the entrepreneurial approach to modern business history. For Schumpeter, the role of innovation becomes one of the major keystones in his analysis of the "entrepreneur" and simple manager. He argues that rationality, in a capitalistic Weberian sense, and innovation preclude each other -

The more accurately we learn to know the natural and social world, the more perfect our control of facts

becomes; and the greater the extent, with time and progressive rationalization, within which things can be simply calculated and indeed quickly and reliably calculated, the more the significance of this function [innovation] decreases.⁸

Managers and entrepreneurs, are for Schumpeter, two different types. The entrepreneur is characterized by his "creative response" to the economic environment. The changes the entrepreneur makes within it "cannot be predicted by applying the ordinary rules of inference from the pre-existing facts. Everyone is an entrepreneur only when he carries out new combinations,"⁹ The capitalist is thus portrayed as an individual rationally putting his talents at the disposal of society in an almost purely occupational sense as the initiator and agent through which capitalist exploitation could be realized. The manager is the individual who carries through the original innovation, or continues in a purely administrative sense to direct the bureaucracy established to oversee the practical realization of the entrepreneur's "genius". But such a theory cannot simply stand on its own, given the complex "inputs" "outputs" of structural sociology and political science, and a merging with Weber's "social background" of the capitalist has given caesarian birth to the entrepreneurial school.

The lack of holism in the entrepreneurial school and its inability to explain capitalist economic development is easily punctured. Its insistence on analysing the development of entrepreneurs in terms of individual characteristics and behaviours, instead of in terms of the development of a class, the bourgeoisie. The idea of the man of genius, the great men of history, more precisely economic history, becomes the

driving force in the development of the social forces of production. Der geist raises its head as the prime mover in the march of history. Throughout the literature there is constant reference to the "family backgrounds" of entrepreneurs, and attempts to discover what their personal characters are, ultimately to trumpet the "achievements" of the great men of economic organization. The social and political expressions (culture, innovation) of the capitalist's position in society itself becomes the determining factor in classification and analysis.

The vagaries of the entrepreneurial approach have not been lost by Canadian historians. Any theory buttressed by the impressive contributions of two giants from the academic world of "letters" has not been unnoticed. Indeed, the art of "entrepreneurial" biography has become a staple in understanding the development of Canadian economic history and popular literature. While the more materially based and structurally oriented works of Neufeld, Innis etc. have remained the peculiar field of economists and "economic" historians, the popularization of the bourgeois or capitalist (albeit sometimes with the warts thrown in) has become one of the major mystifying functions of many Canadian historians.

Just as the Canadian Bankers' Association sponsored essays on the application of scientific management techniques in the early 1900's, Canadian historians were also commissioned to write the biographies of great Canadian businessmen, i.e. the bankers. Adam Shortt laid the foundation of the bourgeois perception of the banker as entrepreneur

in a series of thirty-two articles in the Journal of the Canadian Bankers' Association, beginning in 1896. In these articles the great men of Canadian banking pass the captive eyes of the readers of the journal not as members of a developing capitalist class, but rather as individuals leading institutions for the benefit of all Canadians. Invariably these men were products of their background, and Shortt combined different so-called national characteristics and traits into patterns of individual genius and ambition.

In his "Founders of Canadian Banking" series, and particularly in his biography of the Honorable Adam Ferrie, Shortt's entrepreneurial approach is unabashedly propounded. Ferrie's father was a Spanish sea captain, whose exploits rivalled those of any buccaneer of the high seas, and settled in Scotland, for reasons unexplained, in the mid-eighteenth century. Adam Ferrie was born in 1777 in Irvine, Scotland, where the "independent mindness" and "ruthlessness" of Adam's Spanish ancestry and Scottish "thriftiness" combined to mould one of our country's "great entrepreneurs" -

The Spanish ancestor, though on common ground with his adopted home in point of thrift, evidently brought with him a distinctive national characteristic which vividly asserted itself in special individuals among his descendants, in accordance with the latest bio-psychological principles. This was a fiery Spanish temper, and Adam Ferrie was one of the descendants liberally endowed with this characteristic, a fact of which he was painfully conscious, especially after the event. Although he sought earnestly to subdue this evil spirit, yet from time to time it gained the ascendancy over his more sober Scottish nature.¹⁰

The emphasis on family and cultural backgrounds with perceived inherited family characteristics is the leading theme in Shortt's analysis of

the founders of the Canadian banking system. The peculiarities in Ferrie's background, however, did not lead to any peculiarity in Shortt's analysis. In his description of Sir Francis Hincks we read that "his ancestry is indicative of vigor of mind, strength of character and capacity for initiative and leadership."¹¹ Again the emphasis is on family and cultural background. The man in question derives all inspiration in a vaguely described, mystical, spiritual process which moulded the man of entrepreneurial genius - the geist was realized. Of course bourgeois political battles of the day, and deference to one's superior add subtlety to Shortt's analysis which may divert the reader's attention, if only for a second, from the overriding "intellectual exercise" which the author has undertaken -

The family characteristics were liberal not radical, constructive not destructive, moderate and accomodating, not extreme and antagonistic. [He was] the most notable of Canadian Ministers of Finance.¹²

And if the particular background of the individual did not in some outstanding fashion distinguish the entrepreneur then a drop of Spencerian social Darwinism would conveniently be mixed in. Well stirred, a potion was concocted wherein the entrepreneur distilled from the finest compounds would appear as "yet another member of that prevailing Norse race which occupied the border countries between England and Scotland, and which has furnished so many distinguished Canadians."¹³

If these passages appear today as the rantings of either an ill-informed, methodologically weak, perhaps overly influenced by the

"zeitgeist" of the turn of the century historian, or an out and out racist, then we can only underestimate the influence which this school has had on Canadian historiography up to and including the present. We have only to refer to Carl Berger's The Writing of Canadian History: Aspects of English Canadian Historical Writing, 1900-1970, to discover that -

The most striking feature of Shortt's outlook was his empiricism. While his background in 'mental and moral philosophy' sharpened his ability to examine and analyze abstract ideas, his scientific education abroad strengthened his fascination with the concrete facts of material life. Though in some ways he maintained the traditional Scottish association of economics and philosophy, he disdained theorizing and eschewed moralizing.¹⁴

Indeed, Shortt's major analysis of the history of Canadian currency in the JCBA is statistically based (Berger is here using the term 'empiricism' to refer to a statistical - economic approach to history) but the idea that Shortt "disdained theorizing and eschewed moralizing" is preposterous. As well, a statistically based article or argument is not necessarily "empiricist" as Berger would have us believe. Berger's easy acceptance of the "theory" that ancestry, ipso facto, determines outlook, is seen in his characterization of Shortt as a "Scottish" traditionalist. This bespeaks the pervasive influence of racial analysis as a determining factor in Canadian historical analysis - the foundation of the entrepreneurial school. If the social statements are only a little less strident in Berger, when compared to Shortt, the problematic of this school of historians remains the same.

The entrepreneurial approach as such has remained an important school in Canadian business history as the pontification of "homo-

capitalistic" continues.¹⁵ The perception of businessmen by journalistic authors such as Peter C. Newman are in themselves more important than many of the scholarly works carefully researched and assiduously footnoted in Canadian historiography. They help form public opinion; provide moments of disgust or infatuation; a focus of debate in the public mind. In Peter C. Newman's, Flame of Power: The Story of Canada's Greatest Businessmen, the perception of entrepreneurs as "Knights" in shining armour seated around a Round Table doing battle with each other, wielding power over the lives of awe struck subjects, reinforces the mystification of the capitalist in the public mind. The ultimate lesson is that -

Only the rare individual possesses the inner balance to brandish economic power without distorting himself in the process. While they may have succeeded brilliantly as individuals they failed as a class. They could not adjust quickly enough to the new economic environment their own methods and way of living had helped to bring about. The business tycoon once was a social hero - proof to an invidiously competitive society that ability and application could be spectacularly repaid. But the mid-twentieth century emphasis on man's fraternal interdependence has fostered the persuasion that the aristocrats of business do not, after all, represent the peak of human evolution.¹⁶

The book is romantic and nostalgic about a lost time of innocence in capitalist development at the turn of the twentieth century. Newman's analysis, however, unlike Shortt's, stresses the importance of entrepreneur as innovator rather than isolating the cultural background of "success".

The entrepreneurial school has recently undergone a certain renaissance in Canadian business history. Among the chief architects

of this renewed interest in the entrepreneur are Douglass McCalla, Michael Bliss, and T.D. Regehr. The new directions and questions asked of these historians lend a more contemporary view of the entrepreneur as builders of a great new society. T.D. Regehr in his article "A Backwoodsman and an Engineer in Canadian Business: An Examination of Entrepreneurial Practices in Canada at the Turn of the Century", offers a concise introduction to the methodology of this school,

Why does a businessman become involved in one project and not another? Why does one businessman favour one particular form of financing while another chooses to raise money in a very different way? Why does one entrepreneur agree to particular arrangements with governments, while another vehemently rejects such arrangement? What factors determine that one employer experiences strong and difficult relations with his employees while another enjoys comparatively happy employer-employee relations?¹⁷

The answers to these questions rest, as is predictable in this school, in the individual's background. William Mackenzie (one of the subjects of the article from which the above passage is taken) is described as a "product of the Ontario backwoods", while Herbert Holt, the other protagonist, was a product of "Dublin's Protestant middle class" a professional engineer by training. Mackenzie's background inevitably led him to "a recklessly expansionist backwoods development strategy", a sort of "frontier entrepreneur." While Holt's upbringing shaped and defined him as "a very cautious and rather unimaginative business technocrat, guided above all by the philosophy of laissez-faire."¹⁸ What is the reader to make of questions and answers such as this? "Backwoods mentality" and "unimaginative business

technocrat" are given as explanations when they are nothing more than the expressions of class. That Mackenzie and Holt were among the grandest of capitalists at the turn of the century is not easily explained by Regehr's questions and answers. The one determining factor which at one answers this approach and of necessity negates it, is tied to the unquestionable thirst of the capitalist geist (spirit), and well appreciated by "homo capitalisticus", the accumulation of capital and the profit thereby derived. This concept is totally lost in this school. The entrepreneurial approach is at once an element of bourgeois ideology, an expression of its consciousness as a class, and no more than a guide to understanding, in an indirect, circuitous manner, the peculiar psychology of the individual capitalist. It is to take the capitalist and the economic - social - political arena in which he operated completely out of context and in so doing perpetuate the entrepreneur as robber baron or saint. It is the peculiar mythology of a particular geist, elevated above the social reality, rather than as an individual embodiment of class interests and class domination.

* * *

"Horatio Alger has never been a Canadian hero"

S.M. Lipset¹⁹

The guiding light or first spectacular investigation of the entre-

preneur has been traced to Max Weber and Joseph Schumpeter. The interest in and the first elaboration of the approach, however, has a long history in Canada. The printed sources used in determining the backgrounds of many of the men on the Guarantee Company's board can be seen as an expression of the view of the capitalist as a great man in Canadian history.

These works included The Canadian Biographical Dictionary and Portrait Gallery of Eminent and Self-Made Men (2 vols. - Chicago, 1880), George M. Rose's (ed.), A Cyclopedia of Canadian Biography: being chiefly men of the time, 2 vols., Toronto, 1886-8; An Encyclopedia of Canadian Biography: containing brief sketches and steel engravings of Canada's men, 2 vols., Montreal, 1904-5, Borthwick's, Biographical & Gazetteer of the Great Men of Canada, Atherton's third volume of his History of Montreal, Montreal, 1914 and the most elaborate and grandiose undertaking of all, the multivolume Makers of Canada series published in the early twentieth century. This is not an exhaustive list, as there are many other works (some to be found in the bibliography) which not only documented the lives of these so-called great men, but proposed a lesson to the reader - a capitalist passion play if you will.

We have already seen in chapters one and two that the work ethic, the workers' morality, and questions of workers' honesty and loyalty were part of an attempt to reshape the habits and "human nature" of those either directly or indirectly providing for the pocket book of the capitalist. The ideological parameters of the capitalist work

ethic was to be first and foremost transmitted in the work place. But if this ideology was to have any effect in reshaping the "political and social " consciousness of these workers then an ideological consistency (purity) had to be maintained throughout society. Thus the myth that the capitalist, who through hard work, self-discipline etc., had risen to the top of the production process, became an ideological construct in a conscious attempt not only of expressing capitalist class consciousness, but also as a starting point for further investigation - appropriately enough carried through by the entrepreneurial school. If the bourgeoisie came from a "respectable " background this was not to be highlighted as a process of bourgeois hegemony, but rather a common denominator unifying the bourgeois rationalization of his/her position in society. The common denominator propagated was of hard work, social mobility, and a strong moral background for "success". It is this aspect of bourgeois self-conception on an ideological level that was emphasized in the biographical works at the turn of the century as a justification of the bourgeois' position in society. It was, as well, a bone thrown to the working class as a possible avenue of escape or self-fulfillment within their own existence. It also provides a necessary olive branch, to co-opt class struggle and provide direction to those concerned with realizing the process of bourgeois hegemony. Thus the concept of the enterprising individual whose virtue and accomplishments (whether presented with warts and all is irrelevant) nourished the capitalists self-esteem and served as a

lesson to the worker as to the merits of hardwork and "clean living".

In the "Myth of the Self-Made Man", Allan Smith has argued that

..... many of those English-Canadians who were able to articulate and promote a view of society wished, [...] their world to be viewed within the framework of a belief in the free and responsible individual. With its insistence on the capacity of that individual to master his fate, such a world view could legitimate both success and failure without reference to forces beyond his direct control. It would thus operate to deny the legitimacy of social theories which drew attention to such forces and so undermine the credibility and influence of those who put them forth.²⁰

Smith is concerned with rebutting the "corporatist" school or Hartzian analysis of Canadian social development. In this approach, Canada is portrayed as a harmonious socially conservative society ruled by paternalistic men and institutions.²¹ It is quite clear from Smith's arguments, however, that the portrayal of the "entrepreneur" in the magazines of the day, contained within it the idea that "enterprise, economy, and prudence are the avenues to wealth."²² The Canadian Magazine idolized Sir William Van Horne on the completion of his first Cuban railway as a pre-eminent man of achievement whose industry, determination and ingenuity had overcome all obstacles.²³ Within the concept of the entrepreneur as innovator, a special moral lesson was to be drawn. As the Toronto Globe described it in 1872, "We have no such class as those styled capitalists in other countries. The whole people are the capitalists in Canada, ... [wherein], the richest among us work still and like to do it."²⁴

It was no coincidence that the bourgeoisie, and those "intellectuals" projecting its world view, chose to emphasize the ideas of thrift,

discipline, and work as the legitimizing moral code for their existence. These concepts of necessity were intimately tied to the capitalist subjective aim, the realization of and the appropriation of wealth from the working class. The expansion of value is of essence the sole guiding principle in the definition and propagation of the work "ethic" in the work place and throughout society. The capitalist is capital, personified and endowed with consciousness and a will. The real aim and motivation of the capitalist is not use-value, nor the profit of any single transaction. The restless never-ending process of profit-making is his sole reality, his sole raison d'être, in a word, greed.²⁵ The point around which the labours of the capitalist revolve is based solely on

This boundless greed after riches, this passionate chase after exchange-value, is common to the capitalist and the miser. The never ending augmentation of exchange value; but while the miser is merely a capitalist gone mad, the capitalist is a rational miser. The never-ending augmentation of exchange-value, which the miser strives after, seeking to save his money from circulation, is attacked by the more acute [sic] capitalist, by constantly throwing it afresh into circulation.²⁶

The realization of the capitalist mode of production required the destruction of all social forms of thought - of course this was never realized. If workers were to exchange their labour power for wages (the power of exchange value), then the capitalist also must not be seen as a member of a class which buys that labour power. The capitalist must become an individual independent from those around him. He is a product of his social culture, an innovator, an entrepreneur! He is independent (the term is a complete illusion, better indifference), to collide with

others of his class and others more freely, and to exploit and appropriate more freely.²⁷ So far from constituting the removal of a "state of dependence", the external relations which the capitalist has so assiduously developed represent its disintegration into a general form or the elaboration of the general reality of personal states of dependence. This is the ultimate irony of the bourgeois' reinterpretation of history. The "entrepreneur" as the embodiment or the will of capital must of necessity exploit all who enter his lair. It is the lie of the entrepreneurial school of history -

Generally speaking, the growth of hypocrisy is proof of moral progress, for it indicates that what used to be done openly and without fear of course, can no longer be done without incurring that risk.²⁸

Just as in the structuralist school of business developments, the entrepreneurial school seeks to mask the profit incentive of the capitalist. And, as we have seen in Chapter One, the primary purpose in establishing surety companies was to provide a profit to the owners and controllers of these institutions. As A.W. Ogilvie, a director of Sun Life stated in 1886,

.... the assured have no right to profits thence accruing, the Company having been gotten up for the shareholders to make money from.²⁹

That directors and not shareholders controlled the financial resources of a company was a point not lost to Ogilvie. Profits earned in the insurance sector came primarily from premium payments, interest on bonds and stocks, and mortgage loans. Capital expropriated from these sources provided these companies with revenue from the circulation of

capital and not from the direct production of goods. Money therein derived provided the controllers of these institutions, access too, and overall control of capital in the circulation process. It was this aspect of bourgeois hegemony which of necessity had to be left aside in its self-realization as the bourgeoisie. The entrepreneurial school presents the bourgeois, in retrospect, as he must be seen, not as he was.

As we have been in Chapter Two, attempts at the unionization of bank clerks in Canada were made in the years immediately preceding the First World War. It was argued that what was at issue was poor pay. In the political manifesto of the bank clerk union organizer, J.P. Buschlen provides a view of the moral reality of the "entrepreneur":

- The ethics of the business world seem to be these:
- (1) Make as much money as possible.
 - (2) Sentiment must not interfere with the making of this money.
 - (3) What a businessman does, within the law, is "right".
 - (4) Failure, only, is "wrong".³⁰

Buschlen gives an entirely different view of the definition of success by emphasizing failure as the "wrong". Failure in the business world could only be realized when sentiment was invoked and profits were down or non-existent. Much to the dismay of the entrepreneurial school, Buschlen's "non academic" investigation of the business world was not dissimilar from that of the business man himself. In an article on "The Origin of Interest", A.B. Barker in the Journal of the Canadian Bankers' Association argued, for all the bankers to read, that

All business of is carried on in order to make profits, and banking is no exception. Nowadays, banking is an eminently respectable even fashionable form of commercial activity, a

striking instance of how the descendants of an outcast of a former generation can attain the highest rank in their own time, and willingly forget the indignities which the founder of the house accepted as his due.³¹

Born from the mundane context of the banking offices, Buschlen's analysis and his subsequent attempts at unionization were the seeds from which a serious analysis of the role of the so-called entrepreneur emanated.

J.P. Buchlen, the chronic-bitcher, bent on making a reputation for himself, and an ill one at that, at the bankers' expense was the charge levelled at him by the press,³² and a common sentiment encountered by him from the general population.³³ Buschlen was not calling for the downfall of the capitalist system nor the nationalization of the banks. His perception of the bankers and the bourgeoisie was one in which mutual respect from both parties was a basic requirement if the bank tellers, clerks etc., were to gain satisfaction and a sense of fulfillment from their jobs -

The members of the Canadian Bankers' Association are businessmen. As such they will be glad to discuss good business with anybody on any body - even the representatives of a bankclerks' association. We do not intend to "interfere" with the banks.³⁴

At the bottom line, however, lay a struggle for the spoils of capitalist exploitation and workers' labour. The bankers' may have been "a game bunch of fellows", but ultimately all struggle with this class settled on one issue, "a more equal distribution of wealth."³⁵

What is at issue, then, is not simply a question of emphasis. The structural school of business history extols the objectified reality of bourgeois economic control, while the entrepreneurial school attempts

to vilify (warts and all if necessary) and present the human-individualistic side of the process of clear exploitation. It is a school based in the Biographical Dictionaries extolling the virtues of capitalist "morality". Designed at once to mask the hypocrisy of capitalist avarice and greed and in another to provide a mythology of false hope and acceptance, the necessity to create this mythology was born out of struggle, if only in the bankers's case with a union that floundered once the First World War commenced, or more generally in an era where

Working-class thought, too, adapted to the capitalist transformation of the nineteenth century moving away from the producer ideology and its manufacturing-mechanic alliance towards visions of the world that recognized class polarization and social inequality.³⁶

That the entrepreneurial school seeks to mystify the entire question of capitalist accumulation and the resultant hegemony of this class, reinforces C. Wright Mills' view that "The leaders as well as the led, and even the mythmakers, are influenced by the prevailing rhetorics of justification."³⁷ The question is not why does one businessman favour one particular type of project, the type of financing or even "employer-employee relations". The analysis must rather revolve around the explanation of the continuity of appropriation and exploitation by one separate class, wherein the point is not that a businessman "becomes involved" in one "project", but rather, why are these "projects" left to these businessmen to define and realize in contradiction to the other class in society. The methodology employed also leads to lax theoretical formulations, as for example in Michael Bliss' argument that

businessmen as such form a distinct "community" regardless of control and power over capital,

Most of the topics studied are those that were faced by most men in business regardless of the location, nature, and size of their operations. The problem of competition, for example, was no less real to a bank president in Montreal than it was to a dry goods man in Halifax or Edmonton.³⁸

Ultimately the entrepreneurial school must satisfy one of/or two questions in its problematic: either it seeks to provide the ideological framework wherein "the moral effects of such training are good.

Improving a workingman's position will make him more contented and happy."³⁹

Or presenting the olive branch of delusion, wherein the idea of the self-made man retains a reality, only surpassed in mythology by those who propagate a belief in the Horatio Alger story, or the Olympian gods. Indeed, the entrepreneurial school fulfills both functions - Horatio Alger lives!

Footnotes - Chapter Four

1. Neufeld, p. 13.
2. IBID., p. 17.
3. IBID., p. 14.
4. The Chronicle (Montreal), May 9, 1913, p.655.
5. Marx, Vol. 1, p. 794-95, cited in B. Ollman, Alienation: Marx's Conception of Man in Capitalist Society. (1978), p. 188.
6. Max Weber, The Theory of Social and Economic Organization. (1964), p.184-5.
7. Rhoda Howard, "Entrepreneurship and Economic Development: A Critique of the Theory", (unpublished M.A. thesis, McGill University, 1972), p.18.
8. J. Schumpeter, The Theory of Economic Development. (1962), p. 85; cited in Howard, p. 30.
9. IBID., p.78.
10. A. Shortt, "Founders of Canadian Banking, the Honorable Adam Ferrie, Reformer, Merchant and Financier", JCBA., Vol. 32, p.51.
11. IBID., p. 51.
12. A. Shortt, "Sir Francis Hincks, Most Notable of Canadian Ministers of Finance", JCBA., 1937, p. 25.
13. A. Shortt, "The Honorable George Moffatt, Merchant, Statesman and Banker", JCBA., Vol. 32, p. 177-8.
14. C. Berger, The Writing of Canadian History, Aspects of English Canadian Historical Writing, 1900 to 1970. (1976), p. 21.
15. A. Wilson, "Problems and Traditions of Business History: Past Examples and Canadian Prospects", in D.S. Macmillan, ed., Canadian Business History Selected Studies, 1497-1971. (1972), p. 311.
16. T.D. Regehr, "A Backwoodsman and an Engineer in Canadian Business: An Examination of a Divergence of Entrepreneurial Practices in Canada at the Turn of the Century", Historical Papers/Communications Historiques, 1977, p. 159.
17. Peter C. Newman, Flame of Power, the Story of Canada's Greatest Businessmen. (1965), p. 12-13.
18. Regehr, p. 160.
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Conclusion

The writing of this thesis has been somewhat experimental in format. I have attempted to analyze the dialectical relationship between controllers of capital and workers within one institution of economic activity - The Guarantee Company of North America. The social relationships between that class who controlled the company and those who worked within, was part of a much larger process of capitalist development occurring in Montreal and Canada throughout the period. The Canadian economy was in a period of transformation which led to the rise of finance capitalism. The industrialization process begun in early nineteenth century had by the end of the century completely redefined the economic and social relations of production.

The staples approach has dominated the historiography of much of the studies done of Canadian economic development. Arguing that Canada failed to undergo an "industrial revolution" of any significance, the staples approach obfuscates the development and growth of a vibrant industrial nation. The staples problematic has led many to see our economic development as one led by a "comprador" bourgeoisie solely intent on the extraction and transport of raw materials with control extended to the financial and transportation institutions necessary for their sale. The question of the branch plant and the branch plant economy become critical, in this approach, to the understanding of Canadian society. The Canadian capitalist is brought to task for his lack of "entrepreneurial" skills, foresight and dedication to the

development of a "strong" industrial base. Questions of capital accumulation, the realization of a national bourgeoisie, and the response of the working class, however, are almost totally ignored. A bourgeoisie simply content with exploiting the staple of the period (fur, wheat, timber, and the new staples of hydroelectricity and minerals of the twentieth century) and the introduction of American "industrial" capital (in the form of branch plants) has led to a new nationalist cry for the creation of an indigenous industrial bourgeoisie. The reality would seem to be somewhat different.

The Canadian capitalist class would seem to have been involved in the industrialization of the country. From their positions of strength within the financial and transportation sectors they extended their control and were intrinsically involved in the industrialization of the economy. As such the dominance of the staple approach has negated much of our understanding of the industrializing process and the nature of working class development over the period, 1871-1919.

Capitalists found on the board of the Guarantee Company were throughout the period involved in all sectors of the economy. Two of the more prominent members, Sir Alexander Tilloch Galt and James Ferrier, for example, were not simply "mercantile" capitalists. The range of their business pursuits extended from cotton factories in Sherbrooke to railway equipment companies in Montreal, and sugar refineries in the Maritimes. That little is known of these industrial pursuits is in part the result of the dominance of the staples approach. On a more serious and suggestive note, though, an analysis of that segment of the Canadian

bourgeoisie as represented partially on the Guarantee Company board would hint at their "innovative" capacities in the industrial sector. No peculiar "mercantile" mentality inhibited these Canadian capitalists from entering the field of industry. "Safe" and stable sources of profits were not simply to be found in the financial and transportation sectors. Indeed the search for profits naturally led the Canadian capitalists into the industrial sector. If profits were declining in the industrial sector, as they were in the period 1890-1914, then an infusion of capital to mechanize the work place, the introduction of scientific techniques of worker control, and the consolidation of industry were the methods employed by the Canadian bourgeoisie to rectify the situation.

The introduction of American direct investment, branch plants, and takeover of "Canadian" industry is not only an indication of the weakness of Canadian capitalists, but more properly put, as the expression of the pervasiveness of American imperialism. The Canadian bourgeoisie had developed ties with American and British capitalists (for some peculiar reason portrayed as less "dangerous" than American) which led to the interpenetration of both economies by the other's respective capitalists. This would suggest that what is at issue is not simply a "sell-out" of Canadian interests, but an indication of the capitalist need to break down all barriers to the free flow of capital (and labour). The ties between Canadian and foreign capitalists need to be completely re-examined if we are to understand the economic development of our country and our situation within the American empire. It is not simply a question of

substituting one group of exploiters with another. The problematic must also revolve around the general issue of exploitation and capitalist domination if any meaningful analysis of our history is to begin.

Business historians, as a group, have been slow in presenting such an analysis. The lead has been left to labour historians to explain the "reality" of the work experience of the Canadian working-class. Large numbers of workers were engaged on the factory floor, and not simply in institutions of American imperialism. That a process of disciplining and indoctrinating the workers in the proper work habits shaped much of the history of the period. And not simply by studying the "institutional" response of a small minority of Canadian workers, will our knowledge of the social reality be increased. The nature and the changes in work processes themselves, must of necessity become the focus of the business historian. It is only from this vantage point that the development of bourgeois hegemony and the cultural and national experience of the Canadian people can be understood. This is the challenge of the business historian.

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Appendix Number One

Complete List of Members of the Board of Directors (and Years Served).

Sir Allexander Tilloch Galt	1872-1893 ^{abc}
John Rankin	1872-1882 ^a
Thomas Cramp	1872-1880 ^a
D. Lorn Macdougall	1872-1884 ^{ab}
Edward Mackay	1872-1881 ^a
John Molson	1872-1876 ^a
Robert J. Reekie	1872-1881 ^a
James S. Rose	1872-1881 ^a
John L. Blaikie	1872-1886 ^{ab}
Donald McInnes	1872-1880 ^a
James G. Ross	1872-1885 ^{ab}
A.R. McMaster	1872-1880
W. Gooderham	1872-1877
Andrew Robertson	1877-1880 ^b
James Ferrier	1878-1888 ^b
W.J. Buchanan	1882-1890 ^{bcd}
Edward Rawlings	1882-1911 ^b
John Paton	1882-1883 ^b
J. Gregory Smith	1883-1891 ^{cde}
Hartland S. Macdougall	1885-1917 ^c
William Withall	1886-1897 ^{cde}
William Wainwright	1886-1914 ^{cde}
Alfred Collins	1887
George Hague	1888-1915 ^{cde}
Thomas G. Shaughnessey	1889-1894 ^c
Edward S. Clouston	1891-1912
John Cassils	1894-1902 ^d
Robert Kerr	1899-1904 ^d
E.C. Smith	1892-1935 ^{cdef}
James B. Forgan	1903-1924 ^{def}
Henry E. Rawlings	1905-1949 ^{ef}
Philip Stockton	1912-1940 ^{ef}
H. Vincenth Meredith	1913-1929 ^{ef}
E.F. Hebden	1915-1919 ^f
John Macdonald	1915-1926 ^f
James G. Cannon	1915-1916 ^f
William McMaster	1916-1930 ^f
Thomas DeWitt Cuyler	1917-1922 ^f
Frank Scott	1917-1949 ^f
Augustus Nanton	1917-1925 ^f

- a - served on board in 1871
b - served on board in 1883
c - served on board in 1893
d - served on board in 1903
e - served on board in 1913
f - served on board in 1919

Corporate Affiliations of Members of the Guarantee Company Board

Sir Alexander Tilloch Galt.

British America Land Company
St. Lawrence and Atlantic Railway Company
Grand Trunk Railway of Canada
Gzowski and Company
Eastern Townships Bank
Canadian Railway Equipment
Northern and Western Railway Company
Maritime Bank
Bank of Montreal
North Western Coal and Navigation Company
Standard Life Assurance Company
Union Bank
Accident Insurance Company of Canada

John Rankin

Rankin, Beattie and Company
Arthur and Company (Glasgow)
J. and P. Coates (Glasgow)
Consolidated Bank
Sun Life Assurance Company
Maritime Bank
New York Daily Graphic
Montreal and Sorel Railway
Accident Insurance Company of Canada

Thomas Cramp

David Torrance and Company
Anchor Marine Insurance Company
Liverpool, London and Globe Insurance Company
Accident Insurance Company of Canada
Montreal Board of Trade

D. Lorn Macdougall

Macdougall and Davidson
North British Mercantile Insurance Company
Maritime Bank
Accident Insurance Company of Canada
Montreal Stock Exchange

Edward Mackay

Joseph Mackay and Brothers
Bank of Montreal
Accident Insurance Company of Canada

John Molson

Molson's Bank
City and District Savings Bank
Life Association of Scotland
Accident Insurance Company of Canada

Robert J. Reekie

Canada Locomotive Company
Consolidated Bank of Canada
New City Gas Company
Accident Insurance Company of Canada
Canadian Railway Equipment Company

James S. Rose

Marland Watson and Company
Montreal Rolling Mills
Commercial Union Assurance Company (London, England)

Donald McInnes

Bank of Hamilton

James G. Ross

Quebec Bank

Hon. James Ferrier

Ferrier and Company
Bank of British North America
Montreal Assurance Company
Montreal and Lachine Railway
Intercolonial Coal Company
Grand Trunk Railway of Canada
Molson's Bank
Missisquoi and Black Rivers Railway
New City Gas Company
Montreal Mining Company
Canadian and West Indian Steamship Company
International Bridge Company
Accident Insurance Company of Canada

Wentworth J. Buchanan

Bank of Montreal
Liverpool and London Insurance Company

John Paton

Jesup, Paton and Company (New York)
Bank of British North America
Bank of Montreal

Hon. J. Gregory Smith

Central Vermont Railway

Hartland S. Macdougall

Macdougall Brothers
Intercolonial Coal Company
Montreal Stock Exchange

George Hague

Sheffield Banking Company (England)
Bank of Toronto
Merchants Bank

William Withall

Quebec Bank

Baron Thomas G. Shaughnessey

Canadian Pacific Railway (and allied lines)
Canadian Northwest Land Company
Reid Newfoundland Company
Bank of Montreal
Royal Trust
Commercial Cable Company
Consolidated Cariboo Hydraulic Mining Company
Mackay Companies

William Wainwright

Grand Trunk Company of Canada
North Shore Railway
Montreal and Champlain Railway
Richelieu and Ontario Navigation Company
Montreal Telegraph Company

Sir Edward S. Clouston

Bank of Montreal

Clouston cont'd.

Cumberland Railway and Coal Company
Liverpool and London Globe Insurance Company
Kamistiquieu Power Company
Royal Trust
Canadian Colored Mills Company
New York Life Insurance Company
Steel Company of Canada
Canada Cement Company

Hon. E.C. Smith

Central Vermont Railway

Robert Kerr

The Guarantee Company of North America

H.W. Cannon

Chase National Bank (New York)
United States Guarantee Company

James B. Forgan

United States Guarantee Company
First National Bank of Chicago

H.E. Rawlings

United States Guarantee Company
Montreal Telegraph Company

Philip Stockton

Old Colony Trust Company (Boston)

Sir Vincenth Meredith

Bank of Montreal
Royal Trust Company
British Royal Exchange Assurance Company
Canadian Pacific Railway
Standard Life Insurance Company
Penman's Limited
Mackay Companies

E.F. Hebden

Merchant's Bank of Canada

John Macdonald

John Macdonald and Company
Bank of Toronto
Confederation Life
Scottish Union and National Insurance Company

William McMaster

Canadian Explosive Limited
Montreal Telegraph Company
Hamilton Powder Company
Dominion Steel Corp.
Dominion Iron and Steel Company
Belding Paul Corticelli Company
Bank of Montreal
Canadian Bank of Commerce
Sherwin Williams
Canada Paint Company
Dominion Glass Company
Consumers Cordage Company
Charles Meredith and Company
Asbestos Corporation of Canada
Penman's Limited
Tooke Brothers
North British and Mercantile Insurance Company

Frank Scott

Grand Trunk Railway of Canada (and allied lines)
International Bridge Company
Canada Express Company
Montreal Stock Yards
Montreal Warehousing Company

Sir Augustus Nanton

Osler, Hammond, and Nanton
Great West Life Assurance Company
Osler, Nanton Trust Company
Winnipeg Electric Railway Company
Dominion Bank
Hudson's Bay Company
Canadian Pacific Railway
Northern Trusts Company
Manitoba Bridge and Iron Works
Cockshutt Flow Company
Ogilvie Flour Mills Company
North of Scotland Canadian Mortgage Company

Thomas DeWill Cuyler

Commerical Trust Company (Philadelphia)

Sources: Canada Year Book

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Montreal Gazette

Monetary Times

Biographical aids which are listed in the Bibliography

Appendix Number Two

Stock and Bonds Held by the Guarantee Company (for various years).

	<u>Par Value</u>	<u>Market Value</u>
Montreal corporation bonds	\$22,000.00	\$23,010.00
Montreal harbour bonds	15,000.00	16,605.00
do do	12,000.00	13,055.00
Montreal corporation bonds	13,500.00	14,395.00
Montreal and Champlain bonds	3,893.33	3,815.46
Montreal warehousing bonds	9,733.33	9,733.33
Victoria, B.C., waterworks bonds	10,000.00	11,000.00
Dominion stock	389.67	406.66
Compton County bonds	<u>2,433.33</u>	<u>2,384.66</u>
Total	\$88,959.66	\$94,495.11

Source: Canada, Sessional Papers, 1881, Insurance Statements, (No.18).

Montreal corporation bonds	\$20,500.00	\$20,905.00
Montreal corporation stock	30,900.00	41,019.50
Montreal Harbour bonds	83,500.00	95,382.50
City of Toronto bonds	10,000.00	11,500.00
Montreal warehousing bonds	5,138.19	4,511.42
Victoria, B.C., waterworks bonds	10,000.00	12,000.00
Lake Champlain and St. Lawrence R.R. bonds	5,000.00	5,000.00
Canada Southern R.R. 2nds.	15,000.00	14,250.00
Province of Quebec bonds	1,000.00	1,140.00
Canada stock	2,399.67	2,495.65
U.S. government registered bonds	43,000.00	51,695.00
Richmond, Va., bonds	15,000.00	15,380.00
Brooklyn, N.Y., bonds	200,000.00	205,875.00
U.S. Guarantee Company stock	<u>139,100.00</u>	<u>139,100.00</u>
Total	\$580,537.86	\$620,254.07

Source: Canada, Sessional Papers, 1891, Insurance Statements, (No.11).

<u>Bonds</u>	<u>Par Value</u>	<u>Market Value</u>
Montreal corporation	\$10,500.00	\$11,055.00
Montreal harbour	73,500.00	81,050.00
Montreal Board of Trade	2,500.00	1,750.00
Lake Champlain and St. Lawrence R.R.	5,000.00	4,250.00
Canada Southern Railway	10,000.00	10,900.00
Province of Quebec	1,000.00	1,090.00
Brooklyn, N.Y.	110,000.00	110,000.00
New York, N.Y. Reg'd.	100,000.00	106,500.00
Richmond, Va.	16,000.00	16,910.00
Total	\$328,500.00	\$343,505.00

<u>Stocks</u>		
Montreal corporation	\$42,800.00	\$55,493.00
Dominion of Canada	2,399.67	2,419.67
U.S. Guarantee Company	149,100.00	164,010.00
Philadelphia Bourse	275.00	275.00
Montreal Telegraph Co.	36,000.00	60,480.00
Western Union Telegraph Co.	40,000.00	33,800.00
Bell Telephone Co.	50,000.00	86,000.00
Bank of Montreal	10,000.00	25,400.00
Merchants Bank of Canada	5,000.00	7,700.00
Montreal Gas Co.	16,000.00	34,760.00
Montreal Street Railway	5,500.00	16,330.00
Total	\$357,074.67	\$486,667.67
Grand Total	\$685,574.67	\$830,172.67

Source: Canada, Sessional Papers, 1901, Insurance Statements, (No.8).

<u>Stocks</u>	<u>Par Value</u>	<u>Market Value</u>
U.S. Guarantee Company	\$149,100.00	\$178,920.00
Montreal Telegraph Company	60,000.00	87,000.00
Western Union Telegraph Co.	71,600.00	51,910.00
Bell Telephone Co. of Canada	187,500.00	264,375.00
Mackay Companies, preferred	50,000.00	38,500.00
Bank of Montreal	20,000.00	48,800.00
Pennsylvania R.R. Co.	50,000.00	64,375.00
Merchants Bank of Canada	10,000.00	18,700.00
Great Northern Railway Co.	20,000.00	24,675.00
Montreal Street Railway Co.	10,000.00	21,800.00
Molsons Bank	20,000.00	41,000.00
Chicago, Milwaukee and St. Paul R.R. Co.	10,000.00	12,300.00
Total	\$658,200.00	\$852,355.00

<u>Bonds</u>		
Montreal corporation, 1921-25, 4%	\$30,500.00	\$30,500.00
Montreal harbour, 1913-15, 5%	30,000.00	30,300.00
Montreal harbour, 1917-18, 4%	11,000.00	10,670.00
Montreal street railway, 4½%	20,000.00	20,200.00
Lake Champlain and St. Lawrence Railway, 1910, p.c.	5,000.00	5,000.00
Canada Southern Railway, 1913, 5%	10,000.00	10,100.00
Province of Quebec, 1912, 5%	1,000.00	1,000.00
Province of Manitoba, 4%	20,000.00	20,200.00
Winnipeg, 4%	25,000.00	25,000.00
Victoria, B.C., 4%	12,000.00	12,000.00
Brooklyn, N.Y., 3%	100,000.00	100,000.00
New York, N.Y., 3½%	100,000.00	96,000.00
New York, N.Y., 4%	10,000.00	9,900.00
Richmond, Va., 4%	16,000.00	15,685.00
Montreal Board of Trade, 5%	2,500.00	2,250.00
City of Toronto, 3½%	10,000.00	9,800.00
Dominion of Canada, 3½%	2,399.67	2,375.67
Montreal, 4%	21,800.00	21,800.00
Montreal, 7%	17,800.00	31,150.00
Total	\$444,999.67	\$458,930.67
Grand Total	\$1,103,199.67	\$1,306,285.67

Source: Canada, Sessional Papers, 1911, Insurance Statements, (No. 8)

	<u>Par Value</u>	<u>Market Value</u>
Montreal, 1920, 3½%	\$5,000.00	\$4,000.00
Montreal, 1921, 4%	25,500.00	24,480.00
Montreal, 1925, 4%	5,000.00	4,650.00
Montreal corp., 1925, 4%	10,000.00	9,300.00
Montreal p.s., 1912, 4%	10,000.00	8,400.00
Winnipeg s.d., no.1, 1935, 4%	<u>10,000.00</u>	<u>8,600.00</u>

paid on deposit with Receiver General	\$65,500.00	\$59,430.00
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Governments:-

Canada War Loan, 1925, 5%	\$50,000.00	\$49,500.00
Canada War Loan, 1931, 5%	50,000.00	49,500.00
Canada Victory Loan, 1933, 5½%	300,000.00	302,000.00
Canada Victory Loan, 1934, 5½%	100,000.00	100,000.00
Canada War Loan, 1937, 5½%	100,000.00	100,000.00
Manitoba, 1935, 4%	20,000.00	17,200.00
U.S. Liberty Loan, 1928, 4½%	25,000.00	25,000.00
do, 1938, 4½%	108,000.00	102,860.00
do, 1942, 4½%	79,150.00	79,150.00

Cities:-

Montreal, 1939, 3½%	2,000.00	1,600.00
do, 1921, 4%	1,100.00	1,056.00
do, 1925, 4%	400.00	372.00
do, 1927, 4%	30,300.00	27,876.00
New York, 1960, 4½%	142,000.00	141,592.00
do, 1962, 4½%	24,000.00	23,598.75
do, 1964, 4½%	34,000.00	33,436.25
do, 1966, 4½%	10,000.00	9,831.25
Richmond, Va., 1920, 4%	500.00	500.00
do, 1924, 4%	14,000.00	14,000.00
do, 1926, 4%	1,500.00	1,500.00
Toronto, 1948, 4½%	10,000.00	9,300.00
Victoria, B.C., 1925, 4%	12,000.00	10,860.00
Winnipeg, 1920, 4%	15,000.00	14,400.00

Railways:-

Lake Champlain and St. Lawrence R.R. (guaranteed as to interest by C.P.R.), 1940, 4%	5,000.00	3,950.00
Montreal Tramways, 1921, 5%	25,000.00	19,500.00
Montreal Board of Trade, 1922, 5%	<u>2,500.00</u>	<u>2,300.00</u>

Total	\$1,226,950.00	\$1,209,252.75
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<u>Stocks owned by the Company</u>	<u>Par Value</u>	<u>Market Value</u>
Toronto Ry. Co.	\$22,000.00	\$9,900.00
U.S. Guarantee Co.	10,000.00	15,000.00
Western Union Telegraph Co.	80,000.00	70,000.00
Bell Telephone Co. of Canada	216,100.00	214,193.00
Mackay Companies Prefd.	70,000.00	48,300.00
Bank of Montreal	26,800.00	56,280.00
Pennsylvania R.R. Co.	55,000.00	45,100.00
Merchants Bank of Canada	13,900.00	25,993.00
Great Northern Ry. Co. Prefd.		
(80 per cent paid)	25,000.00	20,000.00
Molson's Bank	40,000.00	75,200.00
Chicago, Milwaukee and St. Paul		
R.R. Co.	10,000.00	3,800.00
Montreal Telegraph Co.	<u>60,000.00</u>	<u>72,000.00</u>
Total	\$628,800.00	\$686,166.00

Source: Canada, Sessional Papers, 1919, Insurance Statements, (No.8).

