

Entrepreneurship and the Family Compact: York-Toronto, 1822-55

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Résumé de l'article

Examinant les domaines des banques et des chemins de fer, l'auteur retrace l'évolution de l'esprit d'entreprise à York-Toronto entre 1822 et 1855. Selon lui, c'est une perspective socio-culturelle, plutôt que simplement économique, qui explique le mieux le comportement des membres du *Compact* à cet égard. Il y a lieu de considérer la notion d'esprit d'entreprise comme liée aux notions de temps et de culture. On peut ainsi nuancer le lieu commun selon lequel les membres du *Family Compact* ont manqué d'esprit d'entreprise. Leur perception du succès différerait de celle de leurs successeurs et, dans certains cas, de celle de leurs contemporains des autres villes, mais cette élite a été tout aussi active dans les secteurs critiques du développement industriel et commercial. L'activité des chefs de file du *Compact* et leurs perceptions du développement ont conditionné l'évolution de la ville de Toronto durant ces années.

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Résumé/Abstract

Examinant les domaines des banques et des chemins de fer, l'auteur retrace l'évolution de l'esprit d'entreprise à York-Toronto entre 1822 et 1855. Selon lui, c'est une perspective socio-culturelle, plutôt que simplement économique, qui explique le mieux le comportement des membres du *Compact* à cet égard. Il y a lieu de considérer la notion d'esprit d'entreprise comme liée aux notions de temps et de culture. On peut ainsi nuancer le lieu commun selon lequel les membres du *Family Compact* ont manqué d'esprit d'entreprise. Leur perception du succès différait de celle de leurs successeurs et, dans certains cas, de celle de leurs contemporains des autres villes, mais cette élite a été tout aussi active dans les secteurs critiques du développement industriel et commercial. L'activité des chefs de file du *Compact* et leurs perceptions du développement ont conditionné l'évolution de la ville de Toronto durant ces années.

Through an examination of banking and railway activities, this paper charts the changing nature of entrepreneurship in York-Toronto between 1822 and 1855. It is suggested that the entrepreneurial behaviour of the Compact is best understood through a socio-cultural, rather than a simple economic perspective. The concept, entrepreneurship, should be regarded as time and culture bound. The common argument that members of the Family Compact failed as entrepreneurs, can, then, be refined. While the Compact's perception of success differed from that of its successor and, in some cases, from that of its contemporaries in other cities, that elite was equally active in crucial areas of business development. The activity of leading Compact members and their perceptions of development conditioned Toronto's evolution as a city in the years under review.

* * *

Recent studies of Upper Canada's elite, the Family Compact, have begun to supplant the old view of it as a pseudo-aristocratic and professional bureaucratic clique. Work by F.H. Armstrong, J.K. Johnson, B. Wilson and others has convincingly demonstrated the varied background - mercantile, professional, military and aristocratic - of its personnel and pointed out the overlapping or interlocking nature of its composition. From this point of view, occupation did not seem to be the most important criterion

for admission to the elite.¹

In one sense these conclusions have made it more difficult to resolve a traditional interpretative problem. Did the Compact exhibit any general behavioural patterns? In particular, what was the relationship between the Compact and economic and urban development? Two studies published in the 1950s argued that the elite's value structure was incompatible with capitalist development.² Yet both these works assumed that a rather

narrow occupational group created those values, an assumption called into serious question by more recent studies. So far has the pendulum swung on this issue that, in Johnson's view, compact members "might even be called 'entrepreneurs' most of whose political views may have been highly conservative but whose economic outlook was clearly 'developmental.'"³

Agreeing in part with Johnson, G.A. Stelter, in an able survey of Upper Canada's urban growth up to 1850, concluded "there seems little question that a small elite controlled the political and economic systems of the province and made many of the decisions which determined the direction of urban growth and physical evolution." For Stelter, the character of this elite, especially at its 'major base,' York-Toronto, probably led to urban development different from the American pattern and, indeed, may have "led to a particular brand of commercial city that has not yet been clearly recognized."⁴

Using some of the insights provided by this recent literature, this paper explores the entrepreneurial behaviour of leading Compact members resident in Toronto between 1822 and 1855 and concludes that such activity conditioned Toronto's quest for metropolitan supremacy in Upper Canada. This will be demonstrated by an analysis of the York-Toronto elite's involvement in bank and railway promotion in this era. To provide context the compact's activities will, where possible, be compared both with that of its competitors in rival cities and with that of its entrepreneurial successors in Toronto after 1850.

Two points should be made about the idea of entrepreneurship employed in this paper. Explanation of such behaviour cannot be made by simple reference to occupational categories or economic acquisitiveness. Rather, the concept should be regarded as time and culture bound. Given different attitudes and different role models, behaviour deemed entrepreneurial in one setting may not be so designated in another. It is sufficient, then, to see entrepreneurship occurring when one or more participants mobilize resources or initiate an economic activity which had had no prior existence and which involved some social or financial risk to those participants.⁵

* * *

In a sense the promotion of the Bank of Upper Canada represented the entrepreneurial debut of York's elite. The character of that debut both conditioned the pattern of Upper Canadian bank development and, to a degree, the place of York within an evolving provincial urban structure. That character was, first of all, defensive in nature. The York elite's perception of existing conditions had not independently led it to believe in the necessity of a provincially-based bank. Indeed, from 1818 to 1821, William Allan was content to act as agent for the Bank of Montreal.⁶ Kingston, not York, seemed to be the most dynamic urban place in Upper Canada in the early 1820s. Still reaping the benefits of the War of 1812, Kingston's population exceeded York's by two-thirds.⁷ Not until Kingston pushed its own bank forward in 1819 did York, the complacent administrative and

political centre of the colony, stir. Whether its shocked elite convinced the Colonial Office to delay sanctioning Kingston's initiative until they could forward their own bill is unclear. At any rate, delay did occur, and York sent over a second bill interestingly enough appropriating Kingston's name - the Bank of Upper Canada. York's bill received royal assent in 1822 and although Kingston's bank had already been in operation and enjoyed wide popularity in the eastern region, it lacked a charter and was labelled the 'Pretended Bank of Upper Canada.'⁸

Once spurred to action, York's elite was thorough and ruthless. Using their control of the Executive and Legislative Councils, they obtained significant government investment for their project and convinced the Government to refuse to accept the Pretended Bank's notes as legal tender.⁹ Kingston's acquiescence to these manoeuvres was in part obtained through the promise of patronage. Via the influential graces of the then pre-eminent Compact leader, the Reverend John Strachan, John Macaulay, a past pupil of Strachan's and a rising Tory editor in Kingston, was led to support York's bank. In return for this Strachan offered him the appointment as the bank's Kingston agent. "I have no doubt but that it would afford a handsome remuneration in a very short time," he assured Macaulay.¹⁰ The combination of failure at the Colonial Office, local government pressure, and disunity soon led to the Kingston bank's bankruptcy.

As Strachan, in his correspondence with Macaulay makes clear, the motivation underlying York's entrepreneurial coup was not

simply economic. Kingston's initiative threatened the York elite's self-perception as acknowledged leaders in Upper Canada. A venture of such potential importance as a bank could not be safely entrusted outside of that elite's control. Owing to "the want of respectability in the members," it would not be possible to work with Kingston's bank.¹¹ Several Americans were, after all, on the Board of Directors. By contrast, York's bank suitably adorned with, in the words of one contemporary, "Gentry Directors," invited respect and trust.¹² Along with Strachan, members of the Robinson, Boulton, Baldwin, Ridout, Allan and Dunn families dominated the board in the first years of the bank's existence. As Robert Burns has made clear, most of them were among "God's Chosen People" - a York-based Upper Canadian elite accustomed to the perquisites and exercise of power, not simply in social and political terms but also, when necessary, in economic matters.¹³

More, however, than the necessity of consolidating power at an appropriate class level underlay the Compact's entrepreneurial drive. Metropolitan ambition ranked equally high in that elite's value structure. "Now I am not sorry," Strachan declared in response to Macaulay's comment that few shares would be taken up out of York, "that we should be left in a great measure to ourselves in the commencement for to succeed we ought to move cautiously and not to be distracted by contending interests." It mattered not that non-York gentry might like to invest - given the desire of York's elite to dominate in Upper Canada, residence had also to be an important criterion of

acceptability. It is in this context that Strachan warned Macaulay that any Kingston branch would be firmly under the "control" of the York directors.¹⁴

After one year's involvement on the directorate, Strachan, realizing, "it was not a Clergyman's place to be at the Board,"¹⁵ retired, and from that point until mid-century the Compact bestowed the mantle of entrepreneurial leader on the shoulders of William Allan. Merchant, administrator, long-time York resident and distinguished veteran of the 1812 war, Allan stands high on all lists of Upper Canada's elite. During his long career he sat on the board of the Welland Canal Company, held the post of Governor of the British American Fire and Life Assurance Company, acted as first President of the Toronto Board of Trade and sat on both the Executive and Legislative Councils. His most important business post, however, was that of President of the Bank of Upper Canada.¹⁶

Allan's general business strategy reflected the entrepreneurial motivation which underlay the bank's origin. As a result, control of Upper Canada's first bank benefitted York in its quest for metropolitan supremacy only in the short term. By the end of the 1820s, Allan had established only two agencies outside York, one at Niagara and one at Kingston. Neither of these agencies were full fledged branches with local boards of directors. York exercised tight control over both. No notes could be discounted without York approval, and the local agent could only advise, not act independently.¹⁷ Even Niagara and Kingston chafed at the consequent delays in obtaining credit. Other

emerging urban centres, lacking any formal financial institution, pressured York's bank to expand its outlets.¹⁸ At the beginning of the 1830s, Allan both stood firm in opposition to extension and, via his position on the Legislative Council and by the threatened withholding of loans to potential rivals, fiercely defended his bank's and York's position against the chartering of any rival institutions.¹⁹

Arguing that the bank's resources did not permit expansion, Allan petitioned the Assembly for an increase in capital implying future extension if successful. At the same time Allan and the directors granted a series of large bonuses prior to an issue of stock still unsold from 1822.²⁰ This effectively denied any share of accrued profits to potential new shareholders. Residents of competing urban centres pointed out that those profits, if left in the business, could have been used to finance branch expansion. Allan further inflamed the situation by making it extremely difficult for non-York residents to purchase new stock. The directors did not advertise the intended issue widely; they kept the issue in the market for only a short period, and they allotted only a limited number of shares to each municipal district.²¹ Such tactics reinforced the public's image of the bank as the creation of a small, self-interested York elite.

This defensive stance could not halt the rising clamour for new banks, however, and by 1837 not only had Kingston and Hamilton obtained rival institutions, but also numerous unchartered banks had emerged to challenge York's and the Bank of Upper Canada's financial hegemony. In the view of one of

the bank's pre-eminent promoters, such competition could have been, if not prevented, at least significantly delayed by proper managerial initiatives. By the 1830s John Strachan argued that judicious expansion and more enlightened profit sharing were necessary to maintain York's and the Bank's ascendancy.²² But by the 1830s, Allan, not Strachan, set the York elite's business strategy.

While both a definition of trust and capability centred on a small elite and a narrow conception of metropolitan interest underlay that strategy, so too did several more general business principles. Since Allan acted as a link between the York compact's first entrepreneurial venture and the Toronto elite's last, some explication of those principles is required. In fact, as a banker, Allan exhibited behaviour which conditioned and informed his subsequent role as railroad promoter.

In the first place he took his responsibilities seriously. "I have," he wrote in 1835, "always held it as a rule that you should endeavour to understand fully - and look after what you undertake, in any Public duty." Never content to be a figurehead, Allan admitted that he "took upon myself in many instances to decide and act upon and do several things that I conceived right and safe and for the Interest of the Institution to do - in place of referring or Submitting them to the Board...."²³ For Allan expertise in business was synonymous with caution. "I prefer keeping within bounds and on the *Secure Side* instead of Extending the business and have to Contract it or withdraw some of those Agencies," he

lectured an associate in 1830.²⁴ Public pandering should form no part of a businessman's repertoire. "I hate and despise all such methods - I have lived so long in the world without having recourse to any means of that kind and I hope to continue[.] I would not *compromise* myself nor allow any of the transactions of the Bank to be *compromised*."²⁵ Finally, Allan as banker looked with disdain on people he considered to be reckless promoters or speculators. In the early 1830s his wrath was particularly reserved for the activity of James Bethune, steamboat promoter and general speculator *par excellence*.²⁶ That Bethune was a prototype of an emerging figure in a developing commercial world, a type with whom Allan would have to deal closely in his ensuing railway ventures, Allan never appreciated. Nor, as the following will attempt to demonstrate, did many of Toronto's entrepreneurial elite.

Allan and the elite maintained firm control of Toronto's first venture into railway promotion.²⁷ While the initial drive and initiative probably emerged from a relative newcomer (the merchant James Newbigging), Newbigging was himself quite acceptable to that elite. A sometime director of the Bank of Upper Canada, he also sat with Allan on the board of the British American Fire and Life Assurance Company and was active in the establishment of that most elite of societies, the Upper Canada Club. Suggestive of Allan's continued dominance in entrepreneurial matters, however, it was he, not Newbigging, who topped the polls in the directorate vote and became in April, 1837, President of the Toronto and Lake Huron Railway.

Joining him on the board were representatives from the Macaulay, Strachan, Jarvis and Ridout families.²⁸ "God's Chosen People," continued in the saddle.

The failure of this early promotional activity left a bitter taste in Allan's mouth. While he admitted that the rebellions and a general economic recession "clouded" the initial "happy prospects" and that these were events "over which the Directors had no control," he nonetheless believed that "the greater number of defaulters might ... have met their Instalments and ought in honour and justice to have done so even at some inconvenience to themselves." More than simply being momentary pique occasioned by a disappointing end to an exciting project, this credo touched the heart of Allan's business ethics. Acknowledged responsibility, even when painful, underlay a properly functioning society. Otherwise what separated speculators and charlatans from men of integrity? The fact that "several subscribers of large property and some consideration in society" had defaulted, further rankled and bewildered the railway's president. Was Toronto's elite succumbing to the false temptations of easy and painless progress? "Such conduct," Allan concluded, "cannot be too severely censured." Allan determined that such an offence to his business and social code would not recur without suitable retribution.²⁹

By the mid and late 1840s Family Compact values were under severe stress. Political control could no longer be wielded with impunity from the safety of the Executive and Legislative Councils. Traditional trade structures were in the process of dismantlement.

The new technological era of steamships and railways pressed as never before upon the Upper Canadian consciousness. As one fringe member of the Compact commented, "I find myself falling behind the age and cannot keep pace with the 'March of Intellect.'..."³⁰

Commensurate with these changes, a tentative sense of self-reliance emerged in Upper Canada. "We have been so much accustomed to look up to some great person to do great things for us," mused the *Toronto Globe*, "that it will be almost impossible to realize that our fortunes are in our own hands."³¹ In part this comment referred to the devolution of formal British sovereignty; in part it referred to the crumbling of an internal hierarchical structure.

In this climate the carefully crafted control of entrepreneurial development maintained by the Family Compact met a two-fold challenge. The metropolitan ambitions of Hamilton, the most dynamic urban centre in Upper Canada in the 1840s, set Toronto back on its heels. Leading the Hamilton initiative were several promoter-businessmen who had, for various reasons in the 1820s and 1840s, found York-Toronto ill-suited to their needs. At the same time the Compact suffered challenge from within. Responding to the *Globe's* plea for "active money-seeking businessmen," young, aggressive Toronto promoters did not wait for elite leadership.³² Instead, they set out on their own in an attempt to better both their personal and their city's fortunes. The traditional and ultimately outmoded response of Toronto's elite to this double pressure gave initial

advantage to Hamilton in the competition to promote Upper Canadian railways.

Throughout 1845 Upper Canadian communities held meetings, appointed parliamentary and financial agents and generally schemed on behalf of one or another projected railway project.³³ By the end of the year serious attention had focussed on two plans, both revised from failed initiatives in the 1830s, the Great Western Railway out of Hamilton and the Toronto and Lake Huron Railway from Toronto. Aiming at a common hinterland the promoters of both railways understood that only one could triumph.³⁴

In terms of personnel, the contenders exhibited significant differences. Once again William Allan headed the Toronto group. Once again he was flanked by Jarvises, Ridouts, Boultons and Gambles. Well established familial, social, and business interaction bound this group into a tight unit. Nearly one-half of the thirteen Toronto directors active between 1845-48 had been born in Upper Canada, and six of the thirteen had been born before 1800. Five had been directors of the railway in the 1830s, and two others were among the original incorporators. Five or more practised law. At least nine adhered to the establishment Anglican faith. Six were or had been associated with the British American Fire and Life Assurance Company; four were active in the Bank of Upper Canada, two with the Canada Company and two with the Toronto-Hamilton and Niagara Electro-Magnetic Telegraph Company. Clarke Gamble was the law partner and brother-in-law of co-director W.H. Boulton and the brother-in-law of the president, William Allan.

Donald Bethune had articulated with Judge Jonas Jones whose nephew Henry Sherwood sat on the board with Bethune. Also Bethune was a close friend and law associate of H.J. Boulton whose nephew W.H. Boulton was a Toronto and Lake Huron director. At least ten were conservatives, and one was a moderate reformer. It is little wonder that the exasperated Toronto *Globe* could comment that "the Huron Company has been from the first conducted on the closed borough system."³⁵

By contrast, the Great Western directorate lacked a distinguished pedigree. In fact, with the exception of Allan Napier MacNab, few were well known outside the environs of Hamilton. The seemingly undistinguished Hamilton directorate, however, possessed several qualities which the Toronto board lacked. Fewer had been born in Upper Canada, and more were merchants. The presence of the non-Canadian born merchants on the Great Western's board opened to that enterprise international financial contacts not as readily available to the Toronto group.³⁶

Equally important, Hamilton's entrepreneurial elite did not share the business ethics of William Allan. Moreover, in contrast to the Toronto group, which had enjoyed political and economic control for nearly three decades, the Hamilton group had yet to achieve social stature. Isaac Buchanan, his brother Peter, and their partner, R.W. Harris, Hamilton's aggressive merchant leaders, had left Toronto in the early 1840s for the more promising environs at the head of the lake. Similarly, Hamilton's pseudo laird, Sir Allan Napier MacNab, had quit Toronto in the late 1820s and from

that time had been busy establishing a power base from which to challenge Toronto's leaders for economic and social power in Upper Canada.³⁷ In the course of so doing the tactics employed by the Hamilton group differed considerably from the practices condoned by Allan.³⁸ Buoyed by rapid population growth and general economic development in the Hamilton area, the Great Western's board and its agents would prove to be powerful adversaries.

The Hamilton group also possessed relative unity, a unity which was absent from the Toronto organization. By 1845, Toronto's elite was severely pressured from within. J.W. Gwynne, a young Toronto lawyer had provisionally established, without elite sanction, in London, England, his own railway company. Not only did this initiative provoke and offend Allan - he viewed it as a "bubble scheme" not worthy of recognition³⁹ - but it weakened Toronto's presence in international markets and led to bickering within the city itself.

The contenders were a study in contrast in terms of tactics. Consistent with his past entrepreneurial activity, Allan conducted a cautious methodical appraisal of all contingencies before acting. Only when he heard of Gwynne's London venture did he despatch an agent to that financial capital. Looking for assistance from the Canada Company, for which Allan had once toiled, he appointed Frederick Widder, the Canada Company's current Canadian agent, to act for the Toronto and Lake Huron. As agent, Widder received detailed instructions and stern warnings to adhere to them.⁴⁰ The instructions precluded flexible

responses by Widder to ever-changing events in London. Gwynne had himself contacted the Canada Company, and before Widder arrived in England the Canada Company had taken over Gwynne's company. Allan's desire for a Toronto controlled enterprise, Widder wrote, could not be realized. A merger, giving effective control to the English investors, was the best that could be accomplished.⁴¹ But, like Allan, the Canada Company, too, proceeded slowly and cautiously. Responding to Widder's query as to why they had failed to enlist the support of some of the more prominent British railroad speculators, the Company pleaded lack of detailed information upon which to take any action and, they admitted, they only "stood forward in the eleventh hour to endeavour to rescue [the project] from falling into irretrievable disrepute."⁴² Given the expansive and aggressive tempo of the times, their reluctant and even passive approach to railroad promotion could not lead to success.

The promotional techniques of Allan and the Canada Company further illustrate their entrepreneurial style. Each applicant for Toronto and Lake Huron shares had to furnish a reputable reference, and all applications were rigorously examined. Often potential purchasers were refused on the grounds of insufficient information or lack of financial backing. Also, many applicants were sold a smaller number of shares than they had originally requested.⁴³ Such a policy was, of course, sound and sane. Obviously the Canada Company and the majority of the Toronto directors were not interested in lining their pockets by a bogus promotional scheme. Their hopes

for profit centred on increased land values and increased trade. Since this could best be accomplished by the completion of the railway, what sense would it make to sell shares to purchasers who were able to pay only the first installment?

Yet as Widder realized their approach had one serious drawback: it left the door open for more aggressive competitors. As a result of Hamilton's entry into the railway stakes, the Great Western railway and its president and agent, Sir Allan Napier MacNab, undercut the Toronto initiative. MacNab and his London co-agent Peter Buchanan were not hamstrung by instructions from Hamilton. To Widder's despair, they quickly entered into an arrangement with a group of prominent British railway speculators led by George Hudson. "There is every reason," Widder urged Allan, "why no hesitation should take place on your part and that you should forward to me ample, complete and general powers to do everything that may be conducive to the promotion here of your enterprise...." He "deplored" the fact that the Toronto directors had not acted more swiftly in the sending of an agent to London. Had this been done even "a few weeks before ... all difficulties would have been avoided." There was little, Widder continued, that he could now do as "the Instructions I hold from you pointedly interdict my course which may tend to counteract their [G.W.R.] proceedings [although] *they are not sparing* in their animadversions [sic] upon yours."⁴⁴

Unlike Allan, however, the Great Western directors and agents were not overly concerned about the character of potential stock purchases. Rather, both

Peter Buchanan and MacNab themselves heavily speculated in Great Western stock.⁴⁵ While both men doubtless desired the Great Western's ultimate completion, they also, in a manner Allan abhorred, sought immediate personal gain. From this perspective a quick sale, while it might not in the long-term assist the railway, would in the short-term assist the pocketbook.

Both entrepreneurial modes, then, suffered internal weaknesses. As well, their competitive visage in the London market probably led many potential investors to hold back. Finally, the buoyant financial market suddenly and precipitously fell leaving both enterprises far short of sufficient capital for commencement.

There were lessons to be learned from these failures. As crusty as ever, Allan determined that all defaulters would be taken to court and indeed some were.⁴⁶ Increasingly he showed himself to be out of touch with the times. If "honour and justice" favoured Allan, the public did not. Even papers sympathetic to the Toronto and Lake Huron's cause "Strongly deprecate[d]" this action.⁴⁷ In fact the Compact members, as entrepreneurs, never recovered from this setback. Yet if Toronto denied the Compact the role of entrepreneurial leader, the search for a substitute proved to be slow and painful. With the decline of Compact control, entrepreneurship became more widely diffused throughout Toronto's economic community.

John W. Gwynne came to the fore as did a like-minded promoter, Frederick C. Capreol. Both men enlisted some support. Such future railway powers as the lawyer-politician J.C. Morrison, the

banker John Cameron, and the lawyer Thomas Galt merged with established politicians Henry John Boulton and Adam Ferguson to follow Gwynne and confront Allan and his men. The new project also received support from the Jarvis family and Gwynne's brother, the doctor, along with several of the latter's professional friends. The gusty rhetoric of the *Globe* provided the needed newspaper backing. Yet the solid core of Toronto's mercantile and professional establishment stood aloof. Early marked by much of that community as a speculator, Gwynne had difficulty in proving his sincerity.⁴⁸ A shaky amalgam of the old and the new, his scheme had no more substantial Toronto support than did the Toronto and Lake Huron.

Others in Toronto were attracted to the fertile schemes of Frederick C. Capreol. In December, 1848, Capreol published a "Prospectus for a Grand Canadian Railroad Lottery"⁴⁹ and for the next two years Torontonians argued over its merits. Among its supporters were the rising financiers James Mitchell and John Cameron, as well as the President of the Bank of Upper Canada, William Proudfoot, the manufacturer G.H. Cheney, the merchant and soon to be banker, E.F. Whittemore, and a sprinkling of some lesser known merchants. Sons of the old Family Compact leaders, including James Strachan, G.W. Allan and J. Lukin Robinson, were active publicly.⁵⁰ The road's case was manfully put in the City Council by the wealthy dry goods merchant, John G. Bowes.⁵¹ To this predominantly Toronto group Benjamin Holmes, M.P. for Montreal, lent his not insignificant support. The *British Colonist*, guided by a future vice president of the railway, Hugh Scobie, was

enthusiastic. So too was the Toronto *Patriot*. Capreol's vigorous spirit was contagious. On the surface it would seem that he had attracted a more wide-ranging and dynamic group than had any of his promoter predecessors.

Appearances were deceiving. That enthusiasm for a railway was beginning to affect many important Torontonians was evident. Equal support for Capreol and his unorthodox financial scheme seemed less obvious. Opposition was muted until Capreol approached the City Council with the suggestion that they subscribe £100,000 in debentures to the railway.⁵² After prolonged debate, the Council, convinced by Bowes, allowed the issue to be put to public vote.⁵³ Fears of increased taxation to support the playthings of the rich were fanned by the *Examiner* and the *Globe*. To a degree the issue became a touchstone for the business and moral precepts of the age. Because Capreol's scheme fed on "a strong temptation to attain wealth without labor," the *Examiner* felt it was immoral and could not be supported.⁵⁴ Predictions of widespread suicides by disappointed ticket holders were whispered.⁵⁵ "We sincerely hope," intoned the *Christian Guardian*, "that there will be sufficient good sense and moral feeling in the community to veto the uncertain and gambling principle upon which the scheme is founded."⁵⁶ Mr. Taylor, a prominent soap and candle manufacturer, felt the lottery would "deprave and demoralize" the citizenry of Toronto. The Board of Trade denounced it.⁵⁷ Doubtless William Allan, although publicly silent, felt the same. The virtue of honest work was an attitude strongly rooted in the Compact's value structure. Only a few years

previously Hugh Scobie, a Scottish Presbyterian, had warned that Canadians could not take credit for achievements not earned by hard labour.⁵⁸ That he was one who could overlook this work ethic and support both the lottery and promoter indicates a gradual acceptance in some circles of the promoter's role. Of interest, too, the young patriarchs, who for the most part inherited their wealth, had no difficulty in supporting Capreol's scheme. Financiers who, a critic might declare, lived off other men's labour, were eager advocates. Among the merchant and industrial classes and certainly among the working classes, however, reactions tended to be negative.

While a referendum held in June 1850, decisively defeated the proposal,⁵⁹ Capreol had nevertheless realized several ends. He had obtained a charter, and, more importantly, he had kindled amongst a new and potentially powerful Toronto group a lasting interest in railways. As the *Globe* soon remarked, "It shows a decided change in affairs when any anxiety is shown to become a Director of a Canadian Railway Co."⁶⁰ The setting had been created for the emergence of a substantial alternative to Compact entrepreneurship.

An Irish born merchant and local municipal politician rose to the task of consolidating and directing this alternative. Using both mercantile contacts and local political experience, John G. Bowes, at several critical points in the promotion of Toronto's first successful railway, the Ontario, Simcoe and Huron Union (later renamed the Northern), raised needed money. As mayor of Toronto, he convinced the City Council to invest £50,000 of city debentures

in the railway's stock. Since the stock was unsaleable, the railway required debentures to pay the contractors so that the latter could raise cash for an important iron shipment. But Bowes' involvement did not stop there. Both he and Francis Hincks, Canada's Inspector General and Bowes' contact with British financiers, speculated on these debentures and, profitting from inside information, cleared over £8,000 between them.⁶¹

Toronto's reaction to Bowes' manoeuvres reflected the prevailing uncertainty concerning proper entrepreneurial initiatives. The old behavioural code of the Family Compact was no longer a sufficient or an automatic yardstick. Investigative committees set up by the Provincial Parliament and by the City Council exonerated both Bowes and Hincks. Newspapers split, often, but not simply, on party lines. Most City Council members who supported Bowes lost in their bids for re-election. Those council members who criticized his conduct attained electoral success. Yet Bowes, himself, succeeded in a bid for the Legislative Assembly in 1854. Some concerned Torontonians even took Bowes to court in an attempt to gain his profits for their city. Although Bowes ultimately lost, Upper Canada's jurists, like Toronto's society, were far from united on their verdicts.⁶²

A most significant indication of changing views concerning entrepreneurial behaviour came from Upper Canada's Chief Justice, John Beverley Robinson. The old Compact, Tory leader, a man, according to recent scholarship, of steadfast character and high moral standards, a man who believed that economic and material "progress

should be controlled and gradual, and achieved through effort, not speculation," issued a seventy-six page minority report unequivocally supportive of all of Bowes' activities.⁶³

His reasons were interesting and revealing. According to him it was "not ... established by the evidence that the defendant's profit was made at the expense of the city."⁶⁴ The reverse was in fact the case. Everyone questioned testified that the city has gained, not lost, by the transactions. Nevertheless, even supposing this to be true, Robinson was enough of a jurist to realize "that there is no necessity for proving any actual fraud or fraudulent intention, or to show that any injury has been produced by the transaction which is complained of" in order to find Bowes guilty of a conflict of interest.⁶⁵

For the Chief Justice the serving of two masters was a inevitable and in many instances a beneficial fact of life. Actions similar to those of the mayor, he asserted, were very widespread. Since "such transactions have been of constant occurrence in all parts of the province" to brand them illegal "would take the commercial world wholly by surprise."⁶⁶ It would be visionary to believe that Canadian or even British transportation routes had been advanced "wholly by the votes of persons who could have no private interests which might conflict with their public duty."⁶⁷ It was simply not so. Of this Robinson did not despair.

It would be a very slowly progressing country, I apprehend, in which all public enterprises and improvements should be left to be suggested

and advanced by those who neither had, nor believed they had, any personal pecuniary interest in pushing them forward, or who, while they were intrusted with the public duty acquired no interest which could be affected by the course which they might publicly take on such occasions....⁶⁸

Naturally "wherever there is a conflict of interest," there was an attendant danger; however, "this cannot be avoided, I fear, without confining men in their transactions within a narrower field than has been found practicable." The public, it would seem, would simply have to accept the consequent "inconvenience."⁶⁹ A little private speculation indulged in by Canada's public men kept, Robinson implied, the economic and political machinery running smoothly. Certainly the Chief Justice believed that the Bowes case illustrated the truth of this. How else, other than by Mayor Bowes' intervention, Robinson queried, could the contractors have sold their debentures in time to meet their iron payments. "It was only by some such train being laid in advance of legislative measures as was laid by the defendant and Mr. Hincks, under the stimulus of personal gain, that the difficulty could have been met at the time ...," he explained.⁷⁰

Robinson's decision is important on at least two levels. It suggests that surviving Compact leaders were sanctioning a significantly different mode of entrepreneurship from that over which they had once presided. When one realizes the legal context from which the decision emerged, this transformation is given even greater import. In a recent

thoughtful and thorough survey of the relationship between Upper Canadian law and the economy, Professor R.C.B. Risk has concluded "the overwhelming impression from hundreds and thousands of cases is that the courts generally were willing to accept and apply whatever seemed to be settled law, and felt no responsibility for change."⁷¹ In comparison to the United States, Upper Canadian courts were "deferential to apparent authority, unwilling to initiate change, and inclined to consider issues in terms of precedents and doctrine."⁷² Robinson's decisions especially fit this mould.⁷³ Rarely did he depart from English common law and argue the merits of a case on the basis of society's needs, prevalent practice or sensitivity to change. Yet in the Bowes' case this is precisely what he did do. His argument for acquittal clearly rested on a belief that needed technological development justified a new entrepreneurial style. It seems at least probable that the failure of the Compact's approach coupled with the consequent disorientation of Toronto's metropolitan development, as measured by its limited success in railway promotion, so dismayed the longtime York-Toronto leader, that he adopted this "instrumentalist"⁷⁴ perspective in an attempt to bolster Toronto's sagging ambitions.

It is clear that the weight of the Compact's presence and the problems Toronto incurred developing a suitable entrepreneurial alternative had significantly hampered that city in its struggle to control Upper Canadian railway development. Hamilton merchants, for example, never fettered by Compact

entrepreneurs, reacted much more swiftly to the failures of the 1840s. As well, the speculative tendency obvious in Hamilton's first promotional venture was given lower priority after 1850. Possessing relative internal unity and municipal support and relying both on past railway experience and international mercantile contacts, these merchants amassed sufficient capital and expertise to create Upper Canada's first functioning railway of the 1850s, the 224 mile, Great Western.⁷⁵

Several incidents suggest that Hamilton entrepreneurs took full advantage of Toronto disunity. Through none other than the agency of the Bank of Upper Canada, the Great Western procured important short-term financial support. Nor did they rest content with the successful completion of the Great Western. During 1854-55 they completed a railway running from Hamilton to Toronto, in effect treating Toronto as if it were part of Hamilton's hinterland. In the process of promoting this railway they actually enlisted the Bank of Upper Canada's long-time manager, T.G. Ridout, as an agent to superintend a carefully orchestrated share distribution, orchestrated, that is, in a manner designed to preclude significant Toronto participation.⁷⁶ In response Toronto was reduced, under the tutelage of the late William Allan's son, to hosting a ball to celebrate Hamilton's entrepreneurial triumph. "Well," a bemused Thomas Ridout wrote to Isaac Buchanan,

it is a glorious thing to have the Hamilton and Toronto railway finished and in good working order all done as if by magic for nobody seems to know where the money came

from. We are indebted for this Road - we all know, to you, and your friends - with whom the whole matter emanated - and without whose aid and management it would not have been accomplished, perhaps, for many years to come.

The people of Toronto seem to have suddenly wakened up, after a long sleep like Rip Van Winkle and are about to express their astonishment at the changes that has[isic] taken place in their world. By a grand explosion and demonstration intended as they think to wake up everybody else within the radius of a thousand miles - to let them know the wondrous work that has been accomplished in these later days.⁷⁷

And, to add insult to injury, a second railway which Toronto entrepreneurs had promoted, the Toronto and Guelph, was in the process of being taken over by the Montreal-based Grand Trunk.⁷⁸ In the early 1850s Toronto had been bested by both a smaller and a larger rival.

In their own limited way York-Toronto's Compact espoused values reminiscent of those of the ante-bellum Boston Brahmins.⁷⁹ "The governing guide ... was moderation; never hazarding what he had for excessive gain, never risking independence or sullying character in the pursuit of wealth," so concluded one appraisal of the Brahmin's values.⁸⁰ It might equally have been written of William Allan and the York elite. And while Boston's elite may not have systematically integrated their values with their entrepreneurial practice, Toronto's

Compact, to a surprising extent, did.⁸¹ Nor were these values inconsistent with the ruthless competitive edge exhibited by the Compact in their bank promotion and tightly controlled managerial behaviour. From the Compact's view this could be justified as legitimate, hard-nosed efficient strategy. In this sense one can agree with Adam Shortt's conclusion that "with all their anxiety to maintain the Bank of Upper Canada as a close preserve, there is no evidence that the directors and officers of the bank were other than strictly honourable and honest in all the details of the bank's operations."⁸²

As with the Boston Brahmins, so with the Toronto elite, "the greatest sin was speculation."⁸³ Hard work brought success. And the entrepreneurial-minded among the Compact did work hard. Speculation struck the core of their conception of a properly regulated society. Not even the Americans, John Beverley Robinson wrote in 1840, could succeed by avoiding "the tedious process of labour."⁸⁴ Terry Cook has correctly noted that for the tory Compact "speculative enterprise introduced a dangerous element of uncertainty to the whole body politic."⁸⁵ It would never do to have too much mobility - either up or down - in society. As a result speculation played no role in Allan's entrepreneurial behaviour, nor, to the extent that Allan could control it, did it in the entrepreneurial behaviour of Toronto's bankers and railway promoters.

Probably, as Stelter implies, nowhere in Upper Canada were these values as rigorously held as in York-Toronto. At its height the Compact set the contours of

York-Toronto's entrepreneurial activity and, from the perspective of banking practice, as one of that elite came to understand, constricted such development. The insistence by this elite on stable and conservative modes of behaviour, with regard to banking practices in the 1830s, became increasingly anachronistic in the climate of rapid and multi-level change following 1845. Like Boston's elite, Allan and his followers were pressured from within and from rival cities.⁸⁶ But they did not give up easily. Their persistence, coupled with the problem of finding a suitable entrepreneurial focus after their decline, limited the development of a Toronto based railway network in the 1850s. Ironically this may have turned out to be in Toronto's ultimate interest. Hamilton, not as dominated by Compact values, promoted so many railways in the 1850s, that by the early 1860s she was bankrupt. With the re-emergence of railway mania in the 1870s, Toronto, financially solid, quickly eclipsed Hamilton as Ontario's railway centre.

Even if, from the perspective of Toronto's ultimate railway dominance, there was virtue in the Compact's mode of entrepreneurship, it nonetheless seems true that the entrepreneurial style itself did not persist. In place of Compact behaviour a somewhat more aggressive, certainly more flexible and definitely more speculative, business code emerged.⁸⁷ If the Toronto/Hamilton contrast noted in this paper is any guide, then the stronger the Compact the longer it took for this new code to dominate behaviour. But even in Toronto by the mid 1850s little was left of old entrepreneurial customs. By 1855 John Beverley Robinson could unequivocally condone new

practices, and a further indication of what was "swept away" in the years after 1845 comes from the behaviour of William Allan's son, after he became President of the Bank of Upper Canada. Unlike the father, who proudly claimed never to have borrowed a penny from the bank while president, the son, in the scant five years prior to the bank's bankruptcy, borrowed \$25,000. He repaid only \$12,500.⁸⁸

The tendency of some historians to explain pre-1850 business behaviour by reference to a set of general characteristics descriptive of a typical merchant seems insufficient.⁸⁹ Merchants differed, as did entrepreneurship, within a mercantile economy. In fact, the nature of mercantile capital, short term, circulating, et cetera, may not have been the most important characteristic of entrepreneurship in this period. Historians in England, the United States, and Canada have suggested that the behaviour of nineteenth century working men and women can best be understood as socio-cultural reflections of a previous era. Class realities changed more quickly than socio-cultural habits. The persistence of anachronistic behaviour; that is, behaviour inappropriate to existing material realities, can thus be explained.⁹⁰

This perspective seems equally relevant to an understanding of Upper Canadian entrepreneurial behaviour. As Adam Shortt glimpsed over seventy-five years ago, the social and political precepts underlying the Constitutional Act of 1791 conditioned much of Upper Canada's business behaviour.⁹¹ And, as Pierre Tossignant has made

clear, those precepts were largely anti-mercantile.⁹² By approaching entrepreneurship from a socio-cultural perspective, appreciation of entrepreneurial behaviour is enlarged.⁹³ Operating in accord with the social values of 1791, some, at least, of York-Toronto's Compact pursued a development policy consistent with its values. Reward accrued as much from the maintenance of a stable society as from any primary desire for material gain.⁹⁴ In this sense only a certain type of entrepreneurship was appropriate. In Toronto a different approach emerged when those social values were thoroughly disrupted by the multi-level changes of the late 1840s. The strength of Compact values within each community determined the pace of entrepreneurial change.

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NOTES

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- 2 H.G.S. Aitken, "The Family Compact and the Welland Canal Company" and R.E. Saunders, "What was the Family Compact?" Both articles are reprinted in Johnson, *Historical Essays on Upper Canada*. For an

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- 33 Toronto *British Colonist*, March 28, April 1 and 11, May 27, 1845.
- 34 *Ibid.*, May 27, 1845.
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