

## **Canadian Regional and National Business Elites in 1912:**

### **Who Was Connected, Who Wasn't and Why?**

#### **Abstract**

This paper examines the regional reach and social structure of the corporate elite in Canada near the turn of the 20<sup>th</sup> century. Using the *Directory of Directors of Canada* published in 1912, I recreate the national network of business elites and their business ties. I find evidence that businesses in most of the growing urban centres were hierarchically interlocked with the major business and financial centres of Montreal and Toronto. An exception to this pattern was the ethnic majority-German city of Berlin in Waterloo county. Berlin businesses had few ties within the existing Anglo-Canadian business hierarchy even though the area was an important manufacturing centre. This paper explores the hierarchical business network that existed across Canada and hypothesizes about how and why Berlin businesses were able to remain inward focused.

## Introduction

Economic models often assume an individual's unfettered pursuit of private profit with a corresponding disregard for the public interest. Counter to this, economic sociologists have found that corporate leaders develop shared interests that often lead to the pursuit of common goals (Useem, 1986). This implies that communities of business people may, consciously or not, advocate and perpetuate conditions that ultimately affect a wider public's interests. One of the ways to understand these shared interests is to examine the networks linking corporate directors to one another. Prior work has examined the demographic characteristics of Canadian business elites at the turn of the 20<sup>th</sup> century. but little work has focused on how their business ties spanned the nation and the implications this network had on business development.

Using the *Directory of Directors in Canada* published in 1912, I recreate the national network of business elites and their ties to one another. I find that most growing urban centres throughout the country generally maintained business connections with executives in Montreal or Toronto – the major financial and business centres of the country. I also find an important exception to this pattern: the ethnically German city of Berlin in Waterloo county, Ontario, had few connections to the existing Anglo-Canadian business elite. This was true even though the city was a significant manufacturing centre in Canada located very close to Toronto. For the most part, it appears that the Berlin business community operated largely outside the dominant Anglo-Canadian business networks. Taken together, the Anglo-Canadian business community and the Berlin business community offer an instructive look at the social assumptions often underlying private business relationships and the ways in which the interests of different publics may or may not be served by these relationships (Porter, 2015).

This paper develops on the theme of connectedness between Canadian business elites. Based on the fact that the joint-stock company was the dominant form of successful businesses of the age, I examine how business people are related to one another by which boards they serve on. Early research concerned with these so-called corporate interlocks considered them to be indicators of potential collusion between corporations that planned to act against the public interest (Brandeis, 1914). Modern management scholars often prefer to frame corporate interlocks mainly as sources of strategic information (Davis, 1991; Pfeffer & Salancik, 1978). Concerns about interlocks as a means to facilitate collusion continue to be an important concern for researchers (Davis & Mizruchi, 1999; Mintz & Schwartz, 1985). These concerns are not simply academic; some of the largest companies in America have recently been shown to have made collusive agreements and that their agreements appear to have been organized, at least in part, through common board appointments (see for news coverage Ames, 2014; for academic analysis MacKay & Wilson, 2016). Corporate board interlocks have also been used to help determine the extent of ownership and control of corporate pyramids – groups of firms that are effectively controlled by a single person or family (R. K. Morck, Stangeland, & Yeung, 1998; Morck, Percy, Tian, & Yeung, 2005; R. Morck, Strangland, & Yeung, 1998; Morck & Yeung, 2001).

The main purposes of this paper are as follows. First, I broadly outline the business relationships that existed between Canadian regions in 1912, paying close attention to not only the business ties between regions but also the ethnic composition of those regions. Second, I examine the board interlocks that exist between business people and compare those that are prominent in their local business networks to those that are nationally prominent. I find evidence consistent with there being a hierarchical network built around the two major cities of Toronto and Montreal. Most urban regions maintain a series of business ties to one or both of these regions. The final section of the paper details a manufacturing city that was not part of this business hierarchy.

Waterloo county and its capital city of Berlin, Ontario, has few ties to either Toronto or Montreal despite its relative proximity to these regions. In fact, the pattern of ties the region exhibits is most similar to the cities of Calgary and Vancouver – cities that are over 3,500 km away from Toronto. To explain this result, I hypothesize that the regional elites of this region looked inward. They chose to work together and align the city of Berlin's public policies in ways to aid regional businesses, instead of accessing resources through the existing network of Anglo-Canadian business elites.

By looking inward, local business leaders forwent the advantages that presumably accrued to those with strong connections to the Anglo-Canadian business elites. Instead, local businesses relied on the goodwill of more established local businessmen to invest in new businesses. Over time, business elites and the city also invested in public goods in the form of public utilities. City policies to invest in businesses and offer tax breaks were also helpful. While these tax breaks were taken advantage of by local businessmen (who were also sometimes local politicians as well), these transgressions were not sufficient to deplete the city's resources. It appears that monitoring by the general public, of peer business people and the knowledge that the region was at a relative disadvantage ensured that no single individual took too much advantage of the regional common resources.

In summary, a variety of regional public policies (even though improperly administered), coupled with local businesses re-investing in the area and in other businesses, helped local businesses to grow and thrive. This regional growth happened despite largely operating outside of the dominant Anglo-Canadian business hierarchy.

This research relies upon the *Directory of Directors in Canada* as a source for corporate elites. The *Directory* is an alphabetical list of the names of directors and managers followed by each individual's address as well as the companies they were currently serving with and their position in the firm.<sup>1</sup> This list was digitized, edited for typographic errors and parsed using a computer program to generate a network relating individuals and the firms with whom they worked. Using this information, the 1912 network of business elites in Canada can be constructed in two ways. The first is to create a network of directors by relating individuals to one another based on whether they served with the same company. Individuals who sat on the same board together are nodes in the network and their relationship is represented by a line connecting them. The second network approach is to represent corporations as nodes in a network and then to relate these by the individuals that served with multiple corporations simultaneously.

The next step was to geo-locate individuals and firms. The *Directory of Directors* gives the address of all of the directors of companies. I resolved these locations using Open Street Map and Google's mapping API.<sup>2</sup> Careful attention was paid to ensure that locations were resolved properly especially in cases where the names of locations have changed. (For example, the capital city of Berlin was later changed to Kitchener during the First World War so the lookups had to account for this.) I inferred the locations of head offices of companies using the common location of the majority of directors. This

---

1 The *Directory of Directors* is split into two sections. Both sections reflect the same information in different ways. The first section lists individual directors and the second section lists companies and then lists individuals that served with the company. In this research, the first portion of the *Directory of Directors* was digitized because the information was laid out so that it was conducive to automated optical character recognition and parsing.

2 <http://www.openstreetmap.org/> and <https://developers.google.com/maps/>

simple heuristic was successful in locating most companies properly. However, the locations of corporations was also manually reviewed in order to find incorrectly located firms. I paid special attention to cases where there was no clear majority of directors from a single region.

The result of the geolocation process was to search against a geographic place name and receive a latitude-longitude pair for each individual director/manager or a corporation's headquarters. To resolve this geographic point, an electronic map (GIS shapefile) available from the government of Canada's open data web site<sup>3</sup> was used to locate the point within the bounds of the surrounding 1911 census division. The result is that firms are consistently gathered into the appropriate geographical region so that the regional characteristics of the population can be related to corporations from the period. In this study, when a city name is used, any results discussed refer to the census division from 1911 that the city was located in. Illustration 2 shows a map of North America and the locations of directors. Different colours represent Canadian provinces. All directors outside of Canada are coloured grey.

The 1911 census information was made available by Library and Archives Canada (LAC). LAC provided the raw census data which made it possible to determine the ethnic origin of the population in Canada at the census division level. However, the census data available from 1911 is limited. No information is available within Quebec about the ethnic origin of people within different census divisions. Information is available for the rest of Canada, however.

Some note should also be made of the limitations and biases of the *Directory of Directors*. The *Directory of Directors* was published and compiled by W.R. Houston. Houston had a “close and

---

3 <http://open.canada.ca/en/open-data>

complementary” relationship with the Toronto Stock Exchange (Murphy, 1984: 40). He served as an assistant secretary of the Toronto Stock Exchange between the 1920s and 1930s. His offices were located nearby and eventually were housed within the Exchange itself. Thus, it is not unreasonable to assume that Houston had detailed information about which firms were listed on the Exchange as well as its then-larger rival exchange in Montreal. The lack of information on mining and resource firms in the *Directory* leads me to believe that Houston's listing is focused on firms listed in Montreal and Toronto. At that time, resource stocks would have been mainly listed on the Vancouver Exchange (and later the Alberta Exchange). Grains, produce and futures were listed on the Winnipeg Exchange. Although there doesn't appear to be a canonical listing of firms from that period or the exchanges they belonged to, Houston's omissions imply that the exchanges in Montreal and Toronto are the focus of his *Directory*.<sup>4</sup> In total, the *Directory of Directors* lists 7,017 individuals from 1,593 corporations.

**[Illustration 2 about here]**

### **Central and Peripheral Directors in Canada**

At the turn of the 20<sup>th</sup> century, Toronto and Montreal remained the dominant financial and business centres in the young country of Canada. Throughout the country were a number of rapidly developing urban regions with their own local business communities. Outside of Quebec, most of the population of the urban regions was ethnically British. The single exception to this was Waterloo county in Ontario which began as a settlement of German-speaking Pennsylvania Dutch Mennonites. Because of the large number of German speakers, the region subsequently attracted German immigrants from Europe. It became the only urban region in Canada at the turn of the 20<sup>th</sup> century where the majority of the

---

4 Thanks to Professor Leslie Hannah for a useful discussion of these issues.

population was German in ethnic origin and not Anglo-Saxon. Over time, it became known as a German region and new immigrants were often directed there when they arrived in Canada (English & McLaughlin, 1996).

One of the most intuitive ways to examine corporate interlock networks involves using the betweenness centrality. This measurement captures how well connected a node is to other nodes (Everett & Borgatti, 2005; Linton C. Freeman, 1977). More specifically, it captures the degree to which a node lies in between other nodes. For example, a node would have a high betweenness centrality measurement if other nodes had to go through it in order to broadcast a message to all other nodes in the network. Similarly, a node would have a low betweenness score if other nodes generally did not have to pass a message through it in order to efficiently reach all other nodes. Illustration 1 is a rendering of directors with the highest betweenness centrality measure in the interlock network. The lines between directors represent corporate boards where both directors served simultaneously. Table 1 is a listing of directors in the network with the highest betweenness centrality.

**[Illustration 1 about here]**

There are two revealing ways to use betweenness centrality when examining the corporate interlock network of Canadian industrial businesses in 1912. The first is to examine each urban region in isolation and ask: who are the most prominent individuals in this local region? The second approach expands on this but considers the country as a whole, asking: who are the most prominent business people in the country? It turns out that these measures are positively correlated in most regions. In other words, prominent individuals in a region also appear to have connections nationally. Whether individuals came to prominence nationally because they were already prominent in their community, or



whether they gained prominence in their community because of their national connections, is an open question. Table 1 shows individuals listed in the *Directory of Directors* that had the highest betweenness centrality and the locations of the head offices of the boards they sat on.

Most of the growing urban regions of this period have public businesses which maintain some sort of corporate interlock tie with a director based in either Toronto or Montreal. In this study, I will briefly note the connections to the major centres from the following regions: Halifax, Ottawa, Hamilton, Brantford, Berlin, London, Winnipeg, Calgary and Vancouver.

Halifax, Nova Scotia, is the eastern most urban centre in this research. The business community in the Halifax region maintains most of its corporate interlocks to directors from Montreal, although some ties extend to Toronto as well. Within the region, all of the listed corporations in the city are interlocked to one another. One of the most central people in this local network is Robert Harris. Harris was a prominent businessman and Conservative politician who was eventually appointed to Nova Scotia's Supreme Court. Harris was well known in business circles and also maintained a friendship with Prime Minister Robert Borden who appointed him to the Supreme Court in 1915. However, no single individual from the Halifax region was particularly prominent within the national business network.

Moving west to Ottawa, the single most central individual is Denis Murphy. Murphy was the best-connected corporate director and served as a central figure in Ottawa's business network. No other individual had a similar reach in the local business community. He also served as a Conservative member of provincial parliament. Nationally, he was also prominent. See Table 1 for an ordered ranking of directors with the highest betweenness centrality.

**[Table 1 about here ]**

Hamilton was a major industrial centre of the age especially well-known for its steel. It is perhaps no surprise that the most central individual locally was also a key businessman in the industry. Cyrus Birge had a career spanning steel fasteners, blast furnaces and finally steel production itself. Since the metal was used throughout manufacturing, required large amounts of capital, power and raw resources to produce, it is not an understatement to say that this industry touched all others. In 1912, Birge was at the zenith of his career. Well-respected and influential, he sat on the boards of industrial firms, a number of banks and the regional board of trade.

In Brantford, the network of corporate directors was somewhat smaller, comprised of just 62 individuals working at local firms. Unlike the previously discussed networks, the local business network in Brantford is split into two subnetworks. Although there are locally a number of more prominent business people, none of them are particularly prominent on the national level.

In London there are some disconnected business networks and some locally prominent individuals. The local network of business ties is not completely connected, but neither is it excessively fragmented, with the majority of the network being comprised of three well-connected networks. Because these networks are relatively well-connected there isn't a single individual that acts to unite individual business people together. This is also true nationally – no single individual from the London area of Ontario appears to be particularly prominent. The local network based on the *Directory of Directors* appears fragmented as well, suggesting that perhaps the regional network is denser and better connected than is suggested by the *Directory of Directors*. Many of the key listed directors belong to prominent business families from the region. It seems likely that these well-known families had a

number of local social connections not captured by the *Directory*.

Outside of Toronto and Montreal, Winnipeg was the largest business centre in Canada near the beginning of the 20<sup>th</sup> century. This region has over 350 directors listed in the *Directory of Directors*. Although generally well-connected for a large business community, there were no local individuals that were also nationally prominent.

A similar story holds true for the other Western Canadian cities of Calgary and Vancouver. Both cities appear to have sparsely connected businesses. However, some caution with these results is necessary. As noted in the data and methodology section above, the *Directory of Directors* is likely made up primarily of corporations that were listed in both Toronto and Montreal. Therefore, it is unlikely that the Western cities have adequate coverage. At this point, Vancouver had its own exchange specializing in resource firms and Calgary followed a year later in 1913 with its own exchange. Given the regional specialization in resources, it is unlikely that the manufacturing-heavy exchanges of Toronto and Montreal would have adequate coverage of these regions. It seems more reasonable to treat the networks resulting from these regions as incomplete samples of a larger regional network.

Waterloo county and it's capital city of Berlin was the outlier. While most of the regional business networks are relatively well-connected, this is not the case whatsoever in the county of Waterloo; the corporate interlock network in this region is fractured into many smaller networks. However, other sources suggest that the local business network in Berlin was heavily interconnected. This suggests that the *Directory of Directors* does not adequately capture the actual business connections that existed in the region (for more detail on local business ties see Bloomfield, 1987; English & McLaughlin, 1996). Sources indicate that many local business leaders had ties through common churches or the local board

of trade. Many prominent business people also served on city council (Berlin Board of Trade, 1907; Bloomfield, 1987; Lucas, 2013). The implications of this will be also be discussed in subsequent sections. While the largest urban centre in the region was Berlin, the nearby towns of Galt, Preston and Hespeler also had a significant number of manufacturers. Ties also existed between businesses operating in the countryside near Berlin including the regional villages of Ayr and New Hamburg. There are no particularly prominent individuals locally or nationally based on the *Directory of Directors*.

### **The Major Centres: Montreal and Toronto**

In the major centres of Toronto and Montreal, the pattern of corporate interlocks is different from those generally displayed in smaller regions. There are almost 1,200 directors listed in the Toronto region; more than any other region in Canada. Many of these directors tend to be extremely well connected. Over 200 directors in Toronto have more than twenty ties to other directors. Thus, within Toronto there appears to be a large number of well-connected individuals. However, when considering the national network of interlocks, a small group of directors appear to be very central. In other words, about one sixth of all corporate members listed in the *Directory of Directors* are well connected locally in Toronto. However, only a small fraction of these well-connected elites maintain corporate ties outside of Toronto to the different regions. This small group of business elites are some of the most central business people in the nation.

The story is similar in Montreal. Herbert Holt is the businessman with the highest betweenness centrality in the entire Canadian business network in this period. However, considering the local Montreal network only, Holt is not significantly more connected within the city than a large proportion

of elite business people. Sir Rudolphe Forget appears to be the single most central individual both locally in Montreal and the second most central man in the country after Holt. However, Holt has diverse ties to companies outside of Toronto and Montreal, whereas Forget really has none outside of these centres (See Illustration 1 and Table 1).

### **Implications of the Business-Network Structure**

The national network exhibits a hierarchical structure with Montreal and Toronto at the top and various regional cities across the country as subordinate. The majority of highly central directors tend to reside either in Montreal or Toronto. When considering just the local networks in those cities, no single director appears to be particularly well-connected. Only when the entire national network is considered does it become clear that a few directors are central on a national scale. In part, this appears to be a result of the consolidation movement that was underway during this period. In order to gain economies of scale and market power, firms producing similar items were combined into larger entities across the country (Acheson, 1973).

In the smaller cities surrounding Toronto and Montreal, some note should be made of the local network structure. We can infer that regions that have one or two locally prominent directors have less developed local business networks. Examples of this would be Ottawa and Halifax. In these regions, there were a few well-connected individuals. In contrast, in more developed business communities, there was not a handful of directors that acted as a single hub for information exchange. Instead, there were a number of redundant connections, which ensured that information spread easily throughout the local business community. Examples of this include Winnipeg and London. Hamilton appears to have been a hybrid of the two. The region's steel industry made it an important manufacturing hub. Cyrus

Birge, a businessman who spent his career involved with various aspects of the steel industry, was prominent. Birge had ties to finance and manufactures as well as raw resource suppliers that would be important for the steel industry. Table 1 shows top Canadian directors for the era ordered according to their betweenness centrality measure. While Birge ranks high nationally, his ties are geographically limited and extend just from Hamilton to Toronto.

Table 2 lists the major centres and notes the percentage of corporate interlock ties that reach to the major centres of Toronto and Montreal. An additional column includes the distance each city is from Toronto. The first column “Own region” is the percentage of corporate interlock ties that go to the local region. Approximately 60 percent of corporate interlock ties from Toronto and Montreal terminate locally. In Toronto, just over 13 percent of corporate ties extend to a director in Montreal. Similarly, almost 22 percent of Montreal corporate interlock ties are with individuals in Toronto. Many of the growing urban regions in Canada have relatively high percentage of ties to one or both of these major cities. These regions also have a correspondingly lower percentage of corporate interlock ties to their own regions. As noted, this pattern does not represent the cities in Western Canada or the city of Berlin in Waterloo county.

**[Insert Table 2 about here]**

The majority of corporate interlocks in Winnipeg, Calgary and Vancouver are within their local regions. However, Winnipeg maintains strong ties with Toronto (25 percent) and Montreal (12 percent). These percentages are unsurprising considering that Winnipeg at that time was a major centre in its own right. As previously noted, it is likely that the local network of Western Canadian cities are not accurately represented because Vancouver (followed soon after by Calgary) hosted its own

resource-oriented stock exchange. However, the proportion of corporate interlock ties would give a reasonable indication of how connected the directors of firms listed in central Canada were to other business people in either Toronto or Montreal.

Overall, the majority of corporate interlocks from businesses tend to tie back to Toronto, Montreal or both. Geographic proximity also seems to play an important role – the closer a city is to a major centre, the more likely there is to be a board connection to someone located in that major centre. The single exception seems to be in Waterloo county, with its German ethnic majority, which is virtually absent from the corporate interlock network. Approximately 70 percent of corporate interlock ties from this region extend to other local companies. Almost 10 percent of corporate interlock ties are to Toronto and five percent to Montreal – some of the lowest percentages to these major centres of all of the cities. Berlin is located just over 100 kilometres from Toronto. Closer inspection shows the manufactures from Waterloo county that do maintain corporate interlocks that reach into Toronto or Montreal are located in the nearby Anglo-majority town of Galt.

### **History and Development of Berlin in Waterloo County**

Waterloo county occupies some of the lands that were originally given as a preserve to the Six Nation Indians in 1784. Led by Joseph Brant, the Six Nations sought to reduce their land holdings. After some discussion, the largest portion of the land was sold to United Empire Loyalist Colonel Richard Beasley. Beasley subdivided the land into homestead plots and set about selling it. Although the land was inland and away from the major centres of the time, it attracted a few Mennonite families from Pennsylvania who were in search of a peaceful life and cheaper land (English & McLaughlin, 1996). Waterloo county eventually became the home of a new Mennonite settlement in Canada.

Unlike other settled regions in Upper Canada, there was no Anglo-Saxon influence. There were no Crown reserves or reserves for clergy. There was also no land granted to Loyalists to establish themselves as Anglo-Saxon elites in the region. Instead, the settlers often had family ties in common, sharing both a common religion, language and the experience of journeying to Canada to start anew (English & McLaughlin, 1996: 20–21). By the 1820s, the region saw an increase in German immigrants. Whereas the established Mennonites preferred to farm, the German immigrants attracted to the region were artisans who preferred village life. The village of Berlin was established on land sold by local Mennonites. Over the next decades, the German population continued to grow as Germans arrived in Canada fleeing the economic uncertainties caused by the Napoleonic Wars. Many of these German immigrants were craftspeople and artisans seeking to contribute to village life – a useful complement to the Mennonites who preferred to farm (English & McLaughlin, 1996; for more on Mennonite attitudes toward business see Thiessen, 2004).

It is important that while the majority of Berlin were ethnically German the region was not homogenous. Many of those that were ethnically German came from different regions of German-speaking countries. Berlin was the home to both Evangelicals, Mennonites and Roman Catholics and other Protestant strains. In fact, at the turn of the 19<sup>th</sup> century the Catholic-Protestant tensions that were common in the rest of English Canada were almost completely absent in Berlin (English & McLaughlin, 1996: 74). The Canadian 1911 census lists almost 70 percent of the population as being German in ethnic origin. Most of the remainder of the population had British origins. A similar proportion were local industrialists.

As noted in the previous section, Berlin lacked the same kinds of director-level interlocks with other



regions. Cultural differences appear to be one reason why there may have been a lack of business ties compared to other regions. However, this raises a more fundamental problem: how could businesses in Berlin and the surrounding region successfully grow without access to the same business ties that existed elsewhere? By 1912, Berlin was ranked fifth in terms of industrial output in Canada (Bloomfield, 1987: 9) – it follows that the question of how businesses were able to succeed compared to other regions is relevant.

### **Few Advantages**

Berlin and its surrounding region had very few natural advantages. There was no navigable waterway to reduce shipping costs. There were no natural resources that were particularly plentiful besides the outputs of the local farmers. However, it seems that these regional disadvantages contributed to a regional sense of identity. The Berlin board of trade tried to emphasize the common responsibility that citizens and businesses had to the town. For example, the Berlin Board of Trade Report from 1907 proclaimed “Towns do not just grow; they are built” (Berlin Board of Trade, 1907; Bloomfield, 1987). At a time when many regions were losing population to Toronto, the growth in manufacturing in Berlin did not go unnoticed (English & McLaughlin, 1996).

Manufacturing accounted for a sizable proportion of Berlin's regional employment. By some estimates, over 60 percent of the population was somehow employed in manufacturing. The advantages did not only accrue to those at the top. Approximately 70 percent of workers owned their own homes at a time when many workers in Ontario could hardly expect a decent living wage (Bloomfield, 1987). The rate of employment appears strong over this period but not so strong as to inflate the prices of goods (see Canada. Dept. of Labour, 1910).

## **Common Cause**

This is perhaps one reason that residents developed a sense of common cause. German traditions that were kept alive in the area were another important factor for keeping businesses rooted in the region (Bloomfield, 1987: 20). The region was home to German language newspapers, musical societies, song festivals and a number of German language churches of different denominations (English & McLaughlin, 1996). The unique culture available in the region stopped successful entrepreneurs from migrating to the larger centres of Toronto or Montreal as other successful families did. The fact that successful entrepreneurs stayed in the region has implications for local ownership. Near the turn of the 20<sup>th</sup> Century none of the firms were owned outside the region. Even by 1910, the proportion of large companies owned from outside the region was just over ten percent (Bloomfield, 1987). While, the inward focus of the region appears to have had significant advantages, it also encouraged a local elites to enact policies to benefit themselves.

Berlin appears to have suffered less from labor unrest and price increases than nearby Hamilton and London (Canada. Dept. of Labour, 1910). For the most part, the business elites in Berlin had close ties with the city government. Not coincidentally, the city's major industries received generous, sometimes to the point of being illegal, tax breaks and bonuses. Similarly, the owners of enterprises received lower than market tax assessments on their private homes. This kind of arrangement was typical of Berlin where the Board of Trade had significant overlap with the local city council (English & McLaughlin, 1996).

## **Regional Tension and Cronyism**

For a brief period these close dealings came to a head with the election of Allen Huber to the mayor's office in 1908. Huber set about trying to dismantle the industrial “bonusing” scheme of the region and

increase tax industrial assessments. Along the way, the democratic reformer removed the fences from around the public parks and made them free to all. However, Huber did not last for more than a single term and he was replaced by a somewhat more moderate, technocratic mayor. It would be another two years before the Board of Trade would once again install their chosen candidate for mayor (English & McLaughlin, 1996). Yet despite these events, overall the city was appears to have been better run than others during that period – for example, Halifax's regional government was fractured with infighting as reforms were introduced (Armstrong & Nelles, 1976; Roper, 1985).

Berlin's city council, which also included prominent business people who were elected to council, had a long history of investing in businesses that set up production in the region. Sought after businesses could expect tax exemptions and other inducements (Bloomfield, 1983, 1987; City of Kitchener, 1983). Even though the city council and Board of Trade were careful in their investment decisions, there was also no lack of poor investments. One such failed venture was the construction of a sugar beet refining plant. Not only did the plant fail but the Board of Trade was given a \$25,000 illegal grant by the city council to promote the venture to the public prior to a plebiscite on the issue. This mismanagement of public funds outraged Huber and launched the beginnings of his political career (English & McLaughlin, 1996: 105). Despite this cronyism, the region appears to have been sufficiently well-run to be a net benefit to the community.

Berlin was an early adopter of public commissions to run services. These included services that were critical to maintaining a stable business operating environment. Such services included hydro-electric power, water and gas (Lucas, 2013). In practice, however, the boards of the key utility commissions became dominated by local industrialists. However, once these boards were established, there was a corresponding decrease in the involvement of these industrialists in city council. In other cases, where

there were less direct benefits to local industry, such as sewer treatment, legal action had to be taken to spur the city to action. Eventually, however, all of these public utilities became a point of civic pride (English & McLaughlin, 1996).

### **Public Investments in Local Businesses**

Overall, Berlin made a series of investments that helped support regional businesses. Often these investments came in the form of inducements from the city council: lower than market property tax assessments, direct bonuses of cash or land to promising manufacturers and eventually the purchase of key public utilities. These decisions by the local government often benefitted the business owning elite. Other times, the elites pushed for these utilities, subsidized them and guaranteed profits to the city to gain its involvement (English & McLaughlin, 1996).

Successful business people from the region tended to benefit from workings of the council and its various inducements (City of Kitchener, 1983). Many of these same local business leaders campaigned as local councillors and were elected and re-elected over time. To some degree this speaks to a satisfaction that the local population felt towards the status quo (English & McLaughlin, 1996). At least at this point in time, it appears as though Berlin's citizens felt that supporting local businesses helped to ensure the continued prosperity of all citizens. The high rate of factory employment and home ownership among workers compared to other cities like London and Hamilton are one indication that they may have been right.

### **Conclusion**

This paper has examined the corporate interlock business network that existed in Canada in 1912.

Close attention was paid to the ethnic composition of regions in Canada that contained a large number of firms. Montreal and Toronto are clearly the major cities for business and finance of the age.

Winnipeg appears as the third most prominent city in Canada, with a large number of directors located there. Across major manufacturing regions, there is a clear pattern of corporate interlocks from regional businesses to other directors located in Toronto and Montreal. The single exception to this pattern is the ethnically majority-German city of Berlin in Waterloo county.

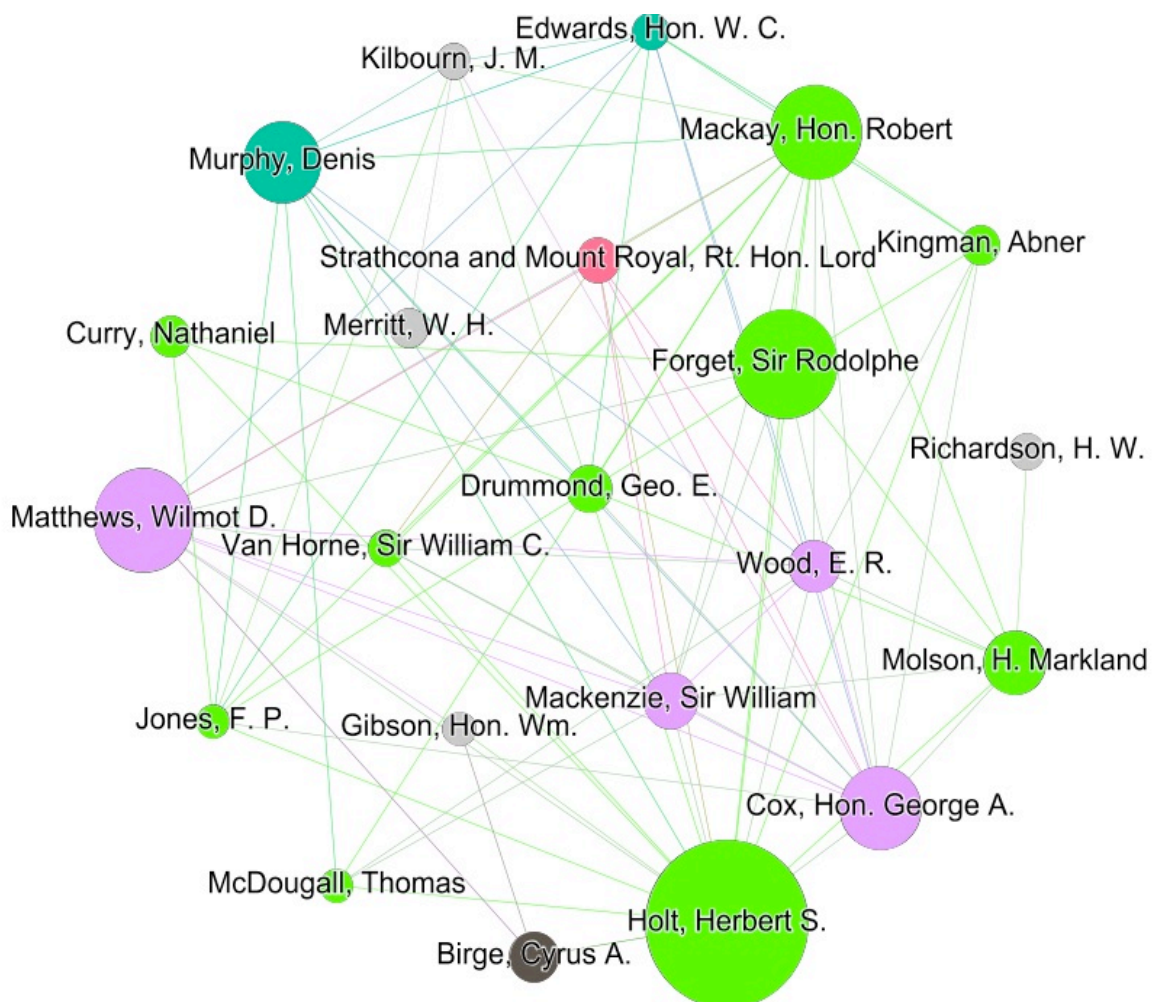
Of all of the growing cities in Canada, this region had the fewest corporate ties to either Toronto or Montreal. To explain this, I have argued that the cultural distinctiveness of the region allowed its population and local business leaders to develop a sense of common identity. This common identity helped the region invest in a series of common goods that helped local business grow despite the lack of connection to the Anglo-Canadian business elites operating in the rest of Canada. For the period under study, it is safe to say that the region experienced a degree of benign neglect by the rest of English Canada. However, in a few years this situation would change significantly with the coming of the First World War (Coschi, 2014; English & McLaughlin, 1996).

The case of the city of Berlin, Ontario, has a number of implications for the understanding of the corporate interlock network that existed in Canada at the time. First, there was a clear hierarchical structure to business relationships throughout the country. These relationships were centred in the cities of Montreal and Toronto. This is consistent with broader analyses of the characteristics of influential elites in the Canadian economy 50 years later that characterized Canada not as a classless society but as a hierarchical one (Porter, 2015).

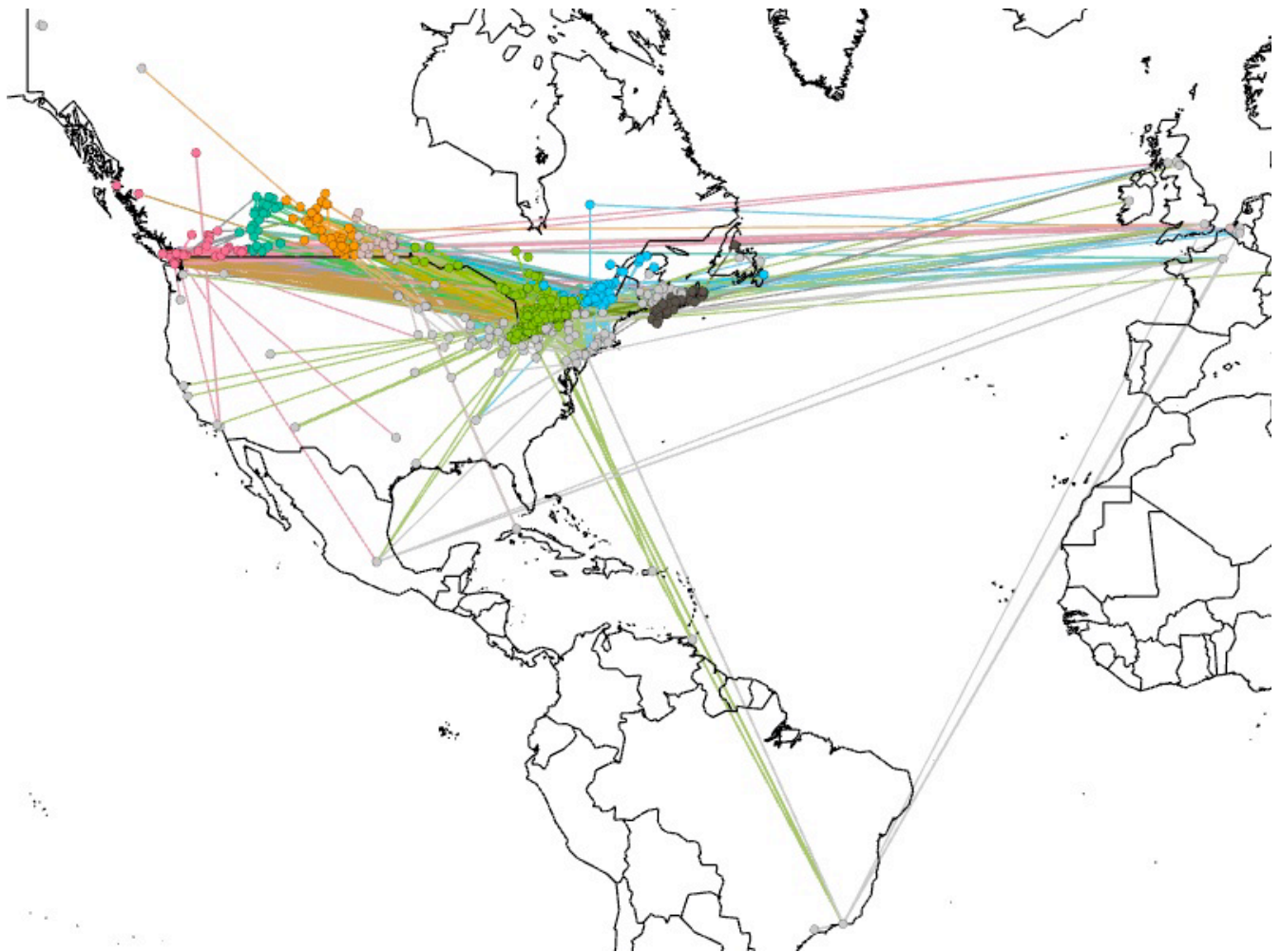
More broadly, the case of Berlin, Ontario contributes to a more nuanced understanding of the social

role of corporations and how these corporations can act collectively to achieve certain outcomes. Berlin's corporate leaders were deeply involved in advocating for, and investing in, public goods that would benefit local businesses but also the population as a whole. The decision to make regional private utilities (gas, water and sewer) public utilities are examples of this. It is important to note, that these business leaders were also clearly not just interested in the public good – public funds were routinely misallocated and tax breaks for businesses were also abused. This is somewhat unsurprising given that the region's corporate leaders were also immersed in local politics. If one can take their continued re-election as evidence, business was generally seen as an important source of continued prosperity. With this in mind, the story that emerges is not that the public good was served out of pure altruism. Rather, it seems that a shared sense of being outsiders – evidenced by the fact that the region was disconnected from the Anglo-Canadian network of business elites – helped to ensure that the region was not critically mismanaged, at least by the period's standards. In other words, the existence of the Anglo-Canadian elite appears to have provided a credible threat to businesses in Berlin. This provided Berlin's business leaders with the incentive to develop various social goods in the region, while also taking advantage of inducements from city council, but not to the extent that the longer-term viability of the region was threatened.

## Appendix – Illustrations and Tables



*Illustration 1: Individuals with the highest betweenness centrality from the national corporate interlock network in Canada based on the Directory of Directors in Canada, 1912.*



*Illustration 2: Map of the locations of individuals listed in the "Directory of Directors of Canada" from 1912. Nodes represent individuals and edges are boards of companies individuals sat on.*



Table 1: Most central director names, their home province and the urban locations of the boards they serve

with.

Director Names	Director City	Canadian Region Director Interlocked With									Other city
		Major Centers		East	Southern Ontario Regions			Western Canada			
		Montreal	Toronto	Halifax	Ottawa	Hamilton	Brantford	London	Calgary	Winnipeg	
Holt, Herbert S.	Montreal	x	x			x		x			Quebec
Forget, Sir Rodolphe	Montreal	x	x								Quebec
Mackay, Hon. Robert	Montreal	x	x								Quebec
Matthews, Wilmot D.	Toronto	x	x			x		x			
Murphy, Denis	Ottawa	x			x						
Cox, Hon. George A.	Toronto	x	x		x			x			Victoria
Strathcona and Mount Royal, Rt. Hon. Lord	Montreal/Eng.	x	x					x			
Pitblado, John	Montreal	x									Vancouver
Molson, H. Markland	Montreal	x	x								St. Johns
Mackenzie, Sir William	Toronto	x	x						x	x	
Birge, Cyrus A.	Hamilton		x			x					
Wood, E. R.	Toronto	x	x								Victoria
Drummond, Geo. E.	Montreal	x					x				
Kingman, Abner	Montreal	x	x								
Curry, Nathaniel	Montreal	x	x	x							Amherst
Edwards, Hon. W. C.	Ottawa	x	x		x						
Richardson, H. W.	Kingston	x				x					Kingston
Van Horne, Sir William C.	Montreal	x	x	x						x	St John
Beck, H. H.	Toronto	x								x	
Allan, Sir Hugh Montagu	Montreal	x	x								Waterloo
Gibson, Hon. Wm.	Beamsville					x					

*Table 2: Percentage of corporate interlocks from each region (defined as 1911 census district) to firms in local area, Toronto and Montreal.*

City	Percentage of corporate interlocks to:			km to Toronto
	Own region	Toronto	Montreal	
Toronto	63.2		13.2	0
Montreal	58.1	21.9		541
Halifax	44.2	16.9	23.4	1795
Ottawa	48.3	33.7	4.5	449
Hamilton	35.9	29.6	14.1	69
Berlin	70	9.8	4.9	107
London	26.5	46.3	14.1	192

## Works Cited

- Acheson, T. W. 1973. Changing Social Origins of the Canadian Industrial Elite, 1880–1910. *Business History Review*, 47(02): 189–217.
- Ames, M. 2014, January 23. The Techtopus: How Silicon Valley's most celebrated CEOs conspired to drive down 100,000 tech engineers' wages. *PandoDaily*. <http://pando.com/2014/01/23/the-techtopus-how-silicon-valleys-most-celebrated-ceos-conspired-to-drive-down-100000-tech-engineers-wages/>.
- Armstrong, C., & Nelles, H. V. 1976. Getting Your Way in Nova Scotia: Tweaking Halifax, 1909–1917. *Acadiensis*, 5(2): 105.
- Berlin Board of Trade. 1907. *Berlin Board of Trade Annual Report*. Berlin Board of Trade.
- Bloomfield, E. 1983. Boards of Trade and Canadian Urban Development. *Urban History Review / Revue D'histoire Urbaine*, 12(2): 77–99.
- Bloomfield, E. 1987. *Manufacturing in Kitchener-Waterloo: A long-term perspective*: 23. Waterloo, Ontario: Department of Geography, University of Waterloo.
- Brandeis, L. D. 1914. *Other People's Money: And How the Bankers Use It*. New York, NY, USA: F.A. Stokes Company.
- Canada. Dept. of Labour. 1910. *The Labour Gazette July 1909-June 1910*. Ottawa, Queen's Printer. <http://archive.org/details/labourgazette1910cana>.
- City of Kitchener. 1983. *City of Kitchener Archives. Appendix A*: 193. By-Law, Kitchener: City of Kitchener.
- Coschi, M. N. 2014. “Be British or be d–d”: Primary Education in Berlin-Kitchener, Ontario, during the First World War. *Histoire sociale/Social History*, 47(94): 311–332.
- Davis, G. F. 1991. Agents without Principles? The Spread of the Poison Pill through the Intercompany Network. *Administrative Science Quarterly*, 36(4): 583–613.
- Davis, G. F., & Mizruchi, M. S. 1999. The money center cannot hold: Commercial banks in the US system of corporate governance. *Administrative Science Quarterly*, 44(2): 215–239.
- English, J., & McLaughlin, K. 1996. *Kitchener: An Illustrated History* ([New ed.] edition). Toronto: Jaguar Book Group.
- Everett, M., & Borgatti, S. P. 2005. Ego network betweenness. *Social Networks*, 27(1): 31–38.
- Linton C. Freeman. 1977. A Set of Measures of Centrality Based on Betweenness. *Sociometry*, 40(1): 35–41.
- Lucas, J. 2013. Berlin, Ontario, in the Age of the ABC. *Urban History Review / Revue D'histoire Urbaine*, 41(2): 19–29.
- MacKay, J., & Wilson, J. D. 2016. *The Silicon Valley Wage Cartel: How Cartel Membership Spreads and Its Impact on Management Job Transitions*. Presented at the Sunbelt 2016, California, USA.
- Mintz, B. A., & Schwartz, M. 1985. *The Power Structure of American Business*. Chicago, USA: University Of Chicago Press.
- Morck, R. K., Stangeland, D. A., & Yeung, B. 1998. *Inherited Wealth, Corporate Control and Economic Growth: The Canadian Disease*. Working Paper no. 6814, National Bureau of Economic Research. <http://www.nber.org/papers/w6814>.
- Morck, R., Percy, M., Tian, G., & Yeung, B. 2005. The Rise and Fall of the Widely Held Firm - a History of Corporate Ownership in Canada. In R. Morck (Ed.), *A History of Corporate Governance Around the World: Family Business Groups to Professional Managers*: 65–148.

University of Chicago Press.

- Morck, R., Strangland, D., & Yeung, B. Y. 1998. Inherited Wealth, Corporate Control and Economic Growth: The Canadian Disease. *SSRN eLibrary*.  
[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=141192](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=141192).
- Morck, R., & Yeung, B. 2001. *The economic determinants of innovation*. Industry Canada.
- Murphy, G. J. 1984. Early Canadian Financial Statement Disclosure Legislation. *The Accounting Historians Journal*, 11(2): 39–59.
- Pfeffer, J., & Salancik, G. 1978. *The external control of organizations: A resource dependence perspective*. Stanford Business Books.
- Porter, J. 2015. *The Vertical Mosaic: An Analysis of Social Class and Power in Canada* (50th Anniversary Edition). University of Toronto Press, Scholarly Publishing Division.
- Roper, H. 1985. The Halifax Board of Control: The Failure of Municipal Reform, 1906-1919. *Acadiensis*, 14(2): 46.
- Thiessen, J. 2004. Work in Mennonite Theological Perspective. *Historical Papers*, 0(0).  
<http://historicalpapers.journals.yorku.ca/index.php/historicalpapers/article/view/39262>.
- Useem, M. 1986. *The inner circle: Large corporations and the rise of business political activity in the U.S. and U.K.* Oxford University Press, USA.