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Christopher Armstrong. *Blue Skies and Boiler Rooms: Buying and Selling Securities in Canada 1870-1940.* Toronto: University of Toronto Press, 1997. x + 390 pp. $39.95 (cloth), ISBN 978-0-8020-4184-5.

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Usually with an academic book, the main title is designed to attract the attention of potential readers–even purchasers–while the subtitle is a more accurate description of the content. In this case, the reverse is true. Instead of being a history of the Canadian Securities market from 1870 to 1940, which I was expecting, this book concentrates, almost exclusively, upon the high pressure and/or fraudulent techniques employed to sell speculative mining securities to the investing public, and the measures employed by Canadian federal and provincial governments to stop them. Certainly there is much material on the various Canadian Stock Exchanges and their members, but this is a back drop to their participation in a process whereby large numbers of credulous investors were sold vast numbers of shares in numerous worthless mines year after year by manipulative promoters. Consequently, in reviewing this book one must be always conscious of what it is about, not what one might expect it to be about. However, judging from the introduction, there is the presumption that this book did begin as a history of the securities market in Canada, for it is stated that it "is one of two volumes dealing with the evolution of public securities markets in Canada" (p. 3). Volume II presumably takes the account from 1940 to the present. Quite quickly, the reader is informed that there is little of interest in the buying and selling securities, and thus one can hardly inflict upon the public an account of the evolution of the Canadian Securities market. Instead, it is considered much more rewarding to focus on "crooks and shysters" (p. 8) as that will result in a far more interesting book. Though I disagree with the author's view that there is little to say about the development of securities markets–even that of Canada–he is probably right in his assumption that a book that concentrates upon fraud, corruption, and human greed has more appeal than one about the institutional arrangements of stock exchanges.

The first and third chapters do deal with the beginnings of Canada's securities markets, but no distinction is made between the creation of a formal exchange and the existence of an open market, and thus there is no discussion of why the latter leads to former. If there had been such a discussion, the author might have been more aware of the extent and limitations of a stock exchange's jurisdiction. A Stock Exchange can enforce discipline among its own members, ensuring that deals take place in an environment of trust, but it cannot be expected to police all aspects of the securities business, including the initial sale of securities, or to provide investor protection. The more an exchange is drawn into areas such as these the more likely it is to face competition from over-the-counter (OTC) markets devoid of such rules and regulations. At the same time there is no attempt to explore the relationship between the Canadian Stock Exchanges and those in New York and London, which had such an important influence on the Canadian securities market before 1914 and subsequently.

With Chapters Two and Four, the author settles into the theme of the book–the promotion of Canadian mining companies and the methods used to persuade investors to buy shares in them. Initially, the principle of "caveat emptor" applied, but even before the First World War various provincial legislatures, beginning with the Prairie Provinces, began to restrict such activities. This speculation in mining shares died away with the outbreak of the First World War. The exchanges were even closed for a number of months, and when they did reopen they were subject to government control while their business switched to trading Canadian government debt. During the period 1915-19 the Canadian government raised $2.1 billion domestically, rather than in London as had been the pre-war practice. In turn, trading in bonds on the Montreal and Toronto stock exchanges rose from $6.1 m in 1913 to $132 .1 m in 1919. Clearly, the Canadian securities market was transformed as a result of the First World War. Unfortunately, the book then ignores the post-war bond market, though, from the statistical appendix, it is clear that it had become an established feature. Instead, the chapters dealing with the 1920s (Six and Seven) concentrate on the miss-selling of mining se-

curities, the lack of stock exchange regulation, and the role played by government. This then leads into the Wall Street crash of October 1929, which was felt heavily in Canada, where investors blamed the exchanges and their members for their losses. Again the focus is almost entirely on the mining market and its practices with little on industrial or utility stocks and nothing on government bonds.

What emerges as interesting from these chapters (Eight and Nine) is the author's conclusion that Britain's departure from the Gold Standard in September 1931 had no more damaging impact on the Canadian securities market than the Wall Street Crash of October 1929. The former undermined the confidence of banks, and this their lending policies, whereas the latter was an inevitable market correction. This to me is worthy of wider discussion.

As a result of the crises of 1929 and 1931, Canadian governments became very concerned with practices in the securities markets, which were seen as bearing a heavy responsibility for what had taken place. A Security Frauds Prevention Act was passed in 1930, but its effectiveness was hampered by provincial/federal rivalry. Thus, instead of following the United States in creating a Securities and Exchange Commission, in Canada the provincial authorities were left as sovereign in regulating securities. The experience of Ontario in particular is extensively chronicled as they attempted to curb fraudulent excesses in mining securities, especially when the market boomed in 1933/4, on the back of the revaluation of gold by the United States (Chapters Eleven through Thirteen). As part of this process, increasing pressure was placed on the stock exchanges to tighten up their own regulations. What thus emerged was growing cooperation in the 1930s both between the major stock exchanges in Montreal and Toronto and the various provincial authorities. What consequences this had for the securities market, both generally and individually, is never really explored. It would have been interesting to know if exchanges flourished best under a lax regime or in a more regulated environment providing greater investor protection.

The final chapter (Chapter Fourteen) sketches in the years immediately before the outbreak of the Second World War. With war being so widely predicted, investors adopted a more cautious attitude and so the level of stock activity was low. The book then draws to a close with a short conclusion and a valuable statistical appendix giving turnover on the Montreal and Toronto Stock Exchanges between 1901 and 1936. From this data, it appears that Toronto's participation in the bond market virtually disappears after 1923, leaving the field to Montreal. Turnover in bonds in Montreal then collapses after 1931. Why all this took place is never explained in the book, which is a pity, for in it may lie part of the explanation of how Toronto came to dislodge Montreal as the financial center of Canada.

Overall this is a long, carefully researched book that weaves together financial, political, legal and social history to present an account of the problems encountered in protecting the human race–even Canadians–from their own stupidity. However, to consider it a history of the Canadian securities market would be a grave mistake. The securities of new mining companies, in their exploration phase, were always regarded as speculative counters and so attracted the gambling instincts of investors. However, these were not the only securities held by Canadian investors and traded on organized markets there. Throughout the period there was a regular business in the stocks of Canadian banks, insurance companies, railways, utilities and industrials as well as a significant bond market from 1916 onwards. The author's own appendix makes this clear. This trading reflected the varied influences of the domestic and international capital and money markets, as well as changing investor sentiment, as with events like the First World War, the Wall Street Crash, and Britain's departure from the Gold Standard in 1931. For me, this would have made a much more interesting book than the one delivered here, for I did tire of the endless repetition of mining scams. Finally, I do wonder why the author ignored my 1988 article in *Business History Review* entitled "The Canadian Securities market, 1850 to 1914." Judging from his comments in the introduction to this book, he probably found it too boring!! I am sure many would agree with him!

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