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**The 1929 Stock Market Crash, A Tale of Two Cities**

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## INTRODUCTION

As the Economist recently reminded us “*The rumbling draws near: Financial Markets are in Trouble*”. As has happened so many times in the past if the markets are in trouble people cast their minds back to October 1929 and the Great Crash. While the Great Crash impacted most developed markets the images are almost entirely of New York and Wall St.

This article will explore what happened in the two major Canadian markets, Montreal, and Toronto. Since many reading the article will not realize that St. James St in Montreal was known as the Wall St of Canada in 1929 the article will trace the evolution of first the Montreal Stock Exchange [MSE] and then the two Toronto exchanges, the Toronto Stock Exchange [TSE] and the Standard Stock and Mining Exchange [SSME], that became one.

The article will spell out not only the dramatic declines by industry sector and for individual companies but will describe some of the accompanying events including personal tragedies, political events, and shady trading practices. After looking at the trends from peak to trough we will move on to see how the TSE which, was only 40% of the size of the MSE in 1929, would evolve to become the largest Canadian exchange by 1937.

This will require a brief economic analysis of the Provinces of Quebec and Ontario followed by an examination of the importance of Gold in the TSE's success. While this dramatic change in the status of the two Exchanges was the coup de grace in the struggle for commercial supremacy in Canada, we will look back at the other two major events that led to Toronto's eventual triumph – the Battle of the Bank Acts immediately post Confederation and Toronto becoming the Bond capital of Canada during World War I.

## MARKETS TODAY

“It is hard not to feel a sense of foreboding.... Stocks as measured by the Wilshire 5000 all-cap index, have shed \$12trn of market capitalisation since last January.”<sup>1</sup> Except for strange outliers like Turkey and Argentina global stock markets have been having a bad year. The S+P 500 is down 25% to mid-October and Nasdaq 33%. Canadian markets have done better but the S&P TSX is still down over 14%. In Russia markets are down over 40% and in Poland 33%.

These declines are modest compared to what followed the infamous Black Tuesday of Oct. 29, 1929, when investors traded some 16 million shares on the New York Stock Exchange in a single day. Black Tuesday had been preceded by Black Wednesday, the previous week, when there had been a big market drop and margin calls, and Black Monday, Oct. 30<sup>th</sup> when the rout

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<sup>1</sup> The Economist, 8<sup>th</sup> Oct. 2022

continued. Montreal and Toronto also posted record turnovers on Oct. 29: 525,000 on the MSE and 331,000 on the TSE.<sup>2</sup>

#### MONTREAL AND THE MONTREAL STOCK EXCHANGE [MSE]

The City of Montreal was founded in mid 17<sup>th</sup> century, a century and a half before Toronto was established. There had already been an attempt to establish Canada's first bank in Montreal before Toronto was even founded. Montreal had a grandeur that Toronto did not possess and a powerful Anglo Protestant elite living in the 'Golden' Square Mile of Westmount.

The Montreal Stock Exchange was incorporated in 1874. Despite the exchange's official founding date, the trading of securities is believed to have started in Montreal shortly after the Napoleonic Wars – likely beginning with the establishment of several banks, the first being the Bank of Montreal, Canada's First Bank, founded in 1817.

In the early days, trades were conducted informally. Until 1840, trading of securities (almost always bank securities) was conducted directly between shareholders, with employees of the bank acting as intermediaries. However, the 1840s were marked by commercial growth in Montreal, and more modern stock trading practices evolved. One indication of this evolution was the formation of the Board of Brokers in 1848, which traded both securities and staples (with specialised commodity exchanges like the Corn Exchange forming in 1862).

Those who began to specialise in securities, and less in commodities, later formed the Board of Stock Brokers, which called itself the Montreal Stock Exchange [MSE] in 1870, before incorporating in 1874.<sup>3</sup> The MSE was located on St. James St. [now Rue St. Jacques] and known in 1929 as the Wall St of Canada. It is a major street named after St. James in London and runs westward north of the St Lawrence River from Old Montreal to Lachine. Major financial institutions had their head offices on St James; the Bank of Montreal, the Royal Trust and major investment dealers such as Nesbitt, Thomson. In 1928 the Royal Bank built its new head office there, the tallest building in the British Empire at the time.

The City of Montreal was described by an early British travel writer as a city “with the same air of wealth and solidity and profound confidence in its place as the commercial capital for all time to come..... Banks, insurance and steamship offices, immense stores, wholesale, and retail, rear themselves heavenwards in endless and bewildering array. The stranger may fancy he reads...the conscious pride of a commercial metropolis that has no fear of rivalry...

The Bank of Montreal is one of the great chartered banks of the world, and English readers may be surprised to hear that the United States has no equivalent to it... The excellence of the Canadian banks is too well known to everyone with the most elementary knowledge of such matters to need any eulogies here. But that of Montreal is the oldest, the largest, and most

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<sup>2</sup> On the TSE, 106 issues closed lower, with only 5 advancing. Losses ranged from 10 to 50 points across the board. The Globe, October 30, 1929, pg 1

<sup>3</sup> Darren Karn, How Toronto Became the Financial Capital of Canada: The Stock Market Crash of 1929, Rotman Case Study 2012

notable of many corporations that have earned in a virtually equal degree the confidence of the country.”<sup>4</sup>

#### TORONTO AND THE TORONTO EXCHANGES

Toronto was founded in the late 18<sup>th</sup> century after the American Revolution. John Graves Simcoe was the first Lieutenant Governor, who had led the Queen’s Rangers against the American revolutionaries. He chose the site for military reasons, the primary one being further from the U.S. border than the previous capital, Newark [Niagara on the Lake].

In Toronto, Stock Exchanges began in fits and starts, in a more entrepreneurial fashion than in Montreal. Three separate exchanges were founded and then disappeared. Two very different exchanges were founded which survived, the Toronto Stock Exchange [TSE] in 1871 and the Standard Stock and Mining Exchange [SSME] in 1908. The TSE handled industrials, financial and utilities, like the MSE, but only handled 40% of the volume of the MSE.

The Standard Stock and Mining Exchange [SSME] was created by members of the TSE who considered the TSE too conservative. The SSME handled junior mining issues but had a much greater volume of share trading because the Exchange traded penny mining stocks [nearly 15 times larger than the MSE and nearly 50 times larger than the TSE in terms of volume]

The same British travel writer who was charitable towards Montreal was also kind to Toronto, “Montreal, though a larger city, is divided between two races.... Toronto is entirely British.... Substantially built and dignified are the main streets of Toronto, though not quite as aspiring as the business blocks of Montreal....It is a great and growing distribution point. The Canadian Pacific and the Grand Trunk Railroads both enter it; several other short lines of road bring the trade of the province to the city.

Great banks, commercial houses, insurance, and loan companies ...have their headquarters in Toronto. The departmental stores, like Eaton’s and Simpson’s, are almost as large as Whiteley’s, though arranged more on the Parisian plan, .... Toronto, of course, shares with Montreal the market of Canadian finance. Its Stock Exchange is an active body.... Insurance is a very prominent business in Canada, and Toronto is one of its chief headquarters....”<sup>5</sup> The travel writer missed the SSME and mining, but they will be dealt with shortly.

Bay St did/does not have the cachet of St. James St. Originally called Bear St, not because the street favoured selling, but rather because of live bears in the vicinity in the late 18<sup>th</sup> and early 19<sup>th</sup> century. The Street ran north from and ended at Queen St. In 1913 the TSE moved to Bay St from King St. East, when it adopted the latest technology, the print-out ticker. North of Queen to Bloor was renamed Bay in 1922.

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<sup>4</sup> Bradley, op cit., pp. 209 – 225

<sup>5</sup> pp. 209 – 225 Bradley, op cit.,

## THE 1920s

In the 'roaring' twenties the markets took off in both cities, increasing 5 times on the two major exchanges. Throughout the period the value of trading was 2.5 times higher on the MSE than on the TSE. Montreal was home to both the big financial institutions and the big industrials. RBC and BMO, both vying for first place among financials, were there as Sun Life which had easily passed Toronto-based Canada Life for the number one slot among life insurers with reckless investments in U.S. equities<sup>6</sup>. Montreal-based Royal Trust was the biggest of the Trust companies.

In the industrial/public utility sectors eight of the ten largest corporations were in Montreal – not all were publicly traded. For example, the Federal Government had taken over both the Grand Trunk Railway and the Toronto based Canadian Northern Railway during the War and combined them into the gigantic Federal Crown corporation Canadian National Railway, making it the largest nonfinancial corporation in Canada, even larger than Canadian Pacific. The third largest industrial was Cities Services Corporation<sup>7</sup>, the gas and electricity distributor of the Canadian subsidiary of the Oklahoma-based parent, but the company was not traded on the Montreal exchange. But other large publicly traded companies in Montreal were headquartered there, such as International Paper, Bell Telephone, Montreal Light, Heat and Power, Consolidated Mining and Smelting, and Dominion Textile.

On the Toronto Exchange the largest company was Ford Motor Company of Canada, which was the fifth largest industrial in Canada, and which had gone public a half century before the U.S.-based parent company would. Ford was followed in size by grocery retailers Dominion Stores and Loblaw's<sup>8</sup>. Other large corporations on the TSE were Dominion Rubber, Canada Dry and Noranda Mines. The Canadian Bank of Commerce was the major Bank on the TSE. And, while its market share was reduced Canada Life was still a major force as were Manufacturers Life and Confederation Life.

The largest Stock Exchange in terms of share volume was the Standard Stock and Mining Exchange [SSME]. But most of the transactions on the SSME were in penny stocks, including companies such as Newbec and newly incorporated Sheritt Gordon.

In the 1920s the value of a seat on the Montreal, Toronto, and even the Standard Stock and Mining Exchange increased significantly - in extreme cases 100-fold.

## THE CRASH

The panic picked up in Montreal and Toronto<sup>9</sup> on Black Tuesday – the worst day of the crash, when even the most steadfast investors, including the bankers who had propped up the market the previous Thursday, tried to find willing buyers on whom to dump their shares. Sixty-two

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<sup>6</sup> 54% of their investments were in equities in 1929

<sup>7</sup> Now known as Citgo

<sup>8</sup> Who had been discussing a possible merger.

<sup>9</sup> Toronto was better connected to New York and received the bad news before Montreal.

Canadian stocks fell to their lowest levels of the year, with even the exchange stalwarts Brazilian Traction and International Nickel losing 11 and 10 points each.<sup>10</sup> Montreal and Toronto posted record turnovers, 525,000 on the MSE representing five times normal volume, and 331,000 on the TSE, or 13 times normal volume.<sup>11</sup>

When the crash came in Canada the MSE was the hardest hit, followed by the SSME, which had not benefited from the upswing that the other two Exchanges had enjoyed in the 1920s, followed by the TSE.

In the morning of Black Tuesday, the big volume on the MSE was Brascan, Inco, Montreal Power, and Shawinigan Power. In the afternoon it was much the same. On the Montreal curb market (operating as an over-the-counter exchange), the big volume was Noranda, Imperial Oil and BA Oil. On the TSE Inco was the biggest loser by a long shot followed by Hiram Walker Gooderham & Worts, and Brascan. The big movement among the 'unlisted' were International Petroleum, Imperial Oil, BA Oil and Noranda.

Almost all the images of the Crash, including men leaping to their death,<sup>12</sup> are of Wall Street in lower Manhattan. In Montreal like New York there were personal tragedies, although not nearly so many. With the absence of CPR and other dividends many Montrealeers were forced to reduce their living style. In at least one extreme case in 1932 a member of a prominent old brewing family shot himself.<sup>13</sup> "For those who lived through those years in Montreal, suicides of people they knew or 'at least you knew the names' were a persistent and shattering part of the experience."<sup>14</sup>

In that same year there was one of the most bizarre unreported attempted murders in Canadian history. Sir Herbert Holt, President of the Royal Bank and Director of 250 other companies worldwide would walk from the Golden Square Mile to his new office on St. James St accompanied by armed guards. One spring evening W.E.J. Luther, who had recently stepped down as President of the MSE called upon Holt at his Westmount Mansion. Luther pulled a revolver and shot Holt three times. Luther was found dead in his garage at Hudson Heights the next day, thinking he had killed Holt. Luther's death was reported in the New York Times. But Holt didn't die. Under the strictest confidence he was taken to the Royal Vic where he recovered. Not a word of this was published nor broadcast in mainstream media except for the Toronto scandal sheet *Hush*.

In Toronto on Black Tuesday The Toronto Evening Telegram's headline was "Selling Avalanche Topples Markets". Below the headline was a picture of a smiling Conservative Premier Howard Ferguson with heading "Cheerfully Confident; Waits for the Vote". The next day Ferguson won

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<sup>10</sup> Fetherling, George. *Gold Diggers of 1929: Canada and the Great Stock Market Crash*. 127

<sup>11</sup> On the TSE, 106 issues closed lower, with only 5 advancing. Losses ranged from 10 to 50 points across the board. The Globe, October 30, 1929

<sup>12</sup> Which John Kenneth Galbraith, in *The Great Crash 1929*, claims were much exaggerated.

<sup>13</sup> "One of the Montreal Molson's, Kenneth, had retired from the stock brokerage business at fifty with all the money he needed to maintain his sumptuous Montreal mansion and lifestyle. He was ruined by the spring of 1932." Michael Bliss, *Northern Enterprise, Five Centuries of Canadian Business*, 422

<sup>14</sup> Westley, Margaret W., *Remembrance of Grandeur: The Anglo Protestant Elite of Montreal; 1900-1950*, P. 241 Montreal, Libre Expression, 1990

the largest majority in Ontario History, 90 seats in a House of 103. [Presumably that was good news for distillery and beer stocks.<sup>15</sup>] However important organizations such as the Royal York Hotel, the Bank of Commerce, Canada Life and the Albany Club of Toronto all regretted their decision to either build a new building or expand their existing one in 1929.

While the author is not aware of suicides in Toronto during this period<sup>16</sup> he is aware that there were brokers who contributed to the run up in stock prices in the late 1920s by making unwarranted claims of future performance. As Henry R. Jackman – investor, founder of the philanthropic Jackman Foundation and Member of Parliament from 1940 to 1945, noted in a May 1933 address:

*It was common practice in 1928 and 1929 to issue securities on the basis, not of earnings of those peak years, but to draw a line through the increasing earnings of the prosperous period of 1921-1928 ... and project that line to a point which would measure the supposed earnings of 1931-32 and to sell securities on that basis<sup>17</sup>.* While the most vivid examples of loose morals occurred on the SSME, brokers on all exchanges were guilty of taking advantage of unsuspecting clients and nascent securities regulation.

Mr. Jackman was not the only one concerned. Floyd Chalmers, chief editor of the *Financial Post* launched a muckraker series writing memorably of the widespread cheating on the SSME. He began with a metaphor that evoked snakes in the Garden of Eden. Toronto stockbrokers had made a killing, he reported, by the duplicitous running up (and running down) of stock prices, by the secret alliances of brokerages and mining companies, by the fictitious mining reports these partnerships produced and by the commissions taken on trades that were never made.”<sup>18</sup> To counter this, Mr. Chalmers established the *Financial Post* data cards to record and present actual corporate earnings and financial position, which were [and are in digital form] a Bible for professional investors.

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<sup>15</sup> Ferguson’s biographer in the OHSS series neglects to mention the Great Crash and is seemingly oblivious to Mining as a factor in Ontario history, even ignoring Gold. Ferguson’s successor as Leader, Honest George Henry was not so fortunate in 1934 only managing to win 17 seats with 40% of the vote. Today Ferguson’s mansion on Avenue Rd is occupied by the South Korean consulate.

<sup>16</sup> The suicide rate for all of Canada increased from 835 recorded in 1929 to 1,024 in 1932, a 23% increase before it declined again. The death rate climbed from 8 to 10 per 100,000. Canada Year Book, 1934-35, pp 197-200

<sup>17</sup> Jackman, Henry Rowell, *The Letters and Diaries of Henry R. Jackman, 1929-1949, Vol. 2*, Toronto, Harmony Printing Limited, 2006

## FROM PEAK TO TROUGH

From peak to trough all industry sectors were hit: from the ‘safe’ utility sector which ‘only’ declined 55.3% and banks which ‘only’ declined 69.0%<sup>19</sup> to the pulp and paper sector which declined 97.5%, and mining which declined 93.6%

Exhibit 1: Percent decline over the period 1929-1932 of share value by industry.

<b>Industry Classification</b>	<b>% Decline</b>
Machinery & Classification	90.8
Pulp & Paper	97.5
Milling	86.0
Oils	80.3
Textiles & Clothing	75.3
Food & Allied Products	63.5
Beverages	86.1
Building Materials	87.0
Industrial Mining	93.6
Transportation	86.2
Telephone/Telegraph	55.3
Power & Traction	79.2
Banks	69.0
Total	69.8

Turning from Industry sectors to listed companies, Exhibit 2 shows that Abitibi in Toronto and Price Brothers Pulp and Paper in Montreal had the biggest declines. Both went into bankruptcy and Abitibi established a record for the longest bankruptcy in Canadian History – 1932 to 1946. Montreal-listed Bell did ‘well’, only declining 59.4%, while in Toronto Imperial Oil and Hiram Walker both declined roughly 82%

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<sup>19</sup> Unlike in the United States no Canadian banks failed although thousands did in the United States

Exhibit 2: Total losses of share value, in percent, for select companies on the TSE and MSE from their peaks in 1929 to the lowest points in 1932

Toronto Stock Exchange		Montreal Stock Exchange	
Company	Peak to Trough 1929-1932	Company	Peak to Trough 1929-1932
British American Oil	89.5	Bell Telephone	59.4
Imperial Oil	82.3	Canadian Pacific Railroad	87.5
Abitibi	99.5	Price Brothers	98.35
Brazilian Traction	91.5	Montreal Light, Heat, Power	77.6
Noranda	84.7	Shawinigan Water	93.4
Hiram Walker	81.8	International Nickel	94.5

#### TORONTO TRIUMPHS – FROM SECOND CITY TO FIRST CITY

The TSE was 40% of the size of the MSE when the crash hit. By 1933 the TSE had surpassed the MSE in volume. By 1937 it was 25 times larger in volume. However, the value of trading in Montreal was 4 or 5% larger than in Toronto despite the much greater volumes traded in Toronto<sup>20</sup>.

Early in 1937 the newly merged Globe and Mail proclaimed that the “Mining Boom Aids Toronto” and that Toronto no longer bowed to Montreal. In April the TSE moved into their new Stock exchange building on Bay St, the first building with air conditioning in Canada.<sup>21</sup> *Time* magazine put a picture of the President of the TSE on the cover and reported that the TSE was now the 3<sup>rd</sup> largest Exchange in North America, and that “During the wintry years of the northern Depression Canada’s financial center shifted westward from the first city of the Dominion to the second, from staid old Montreal to booming Toronto.”<sup>22</sup>

How did this happen in such a short period of time? There are at least two big explanations. The big reasons are Ontario’s advantageous geographical location in the North American economy compared to Quebec, and the mineral boom on the Great Canadian Shield in the 1930s.

<sup>20</sup>CAR 1937/38, P. 383

<sup>21</sup> now home to the Toronto Design Exchange

<sup>22</sup> Apr. 5, 1937, Volume XXIX, No. 14 *Time* Magazine



Montreal still had the struggling railways BUT Big Auto [GM, Ford, Chrysler], Big Oil [Imperial, BA, Shell, McColl Frontenac] & to a lesser extent Big Steel [Stelco, Dofasco, Algoma] were Toronto/Ontario-based. The national retail chains – Eaton’s and Simpsons - and the national supermarket chains - Loblaws, Dominion Stores, Safeway - were Toronto-based, not Montreal.

In 1925 large Montreal non-financials dominated those in Toronto but by 1935 Inco, Imperial Oil, Massey Harris, Loblaws, Noranda Mines, and Hollinger, all Toronto-based, were among the 11 largest Canadian non-financials. More and more Foreign Direct Investment was coming from the US and was heavily biased in Toronto/Ontario’s favour, principally because of proximity and transportation but also because Toronto was an English-speaking city with strong US cultural influences, such as US magazines & newspapers.

Both BMO and RBC Head Offices were still in Montreal, but each had far more branches in Ontario than in Quebec<sup>23</sup>. Toronto had the Commerce Bank and the Imperial Bank, which benefited more than other banks from the mineral boom.

Sun Life was still the giant life insurance company – 3 times larger than Manulife of Toronto BUT it experienced a very difficult Depression, was technically insolvent and was only saved by the ‘Sun Life provision’ in a piece of Federal Legislation<sup>24</sup>. There were half a dozen large insurers in Toronto/Ontario besides Manulife, including Canada Life, Confederation Life, Crown Life, North America Life and London Life.

Montreal still had the big Trust Companies, Royal Trust and Montreal Trust, but there were half a dozen smaller but important ones in Toronto such as Canada Trust as well as all the Acceptance Companies, being new vehicles for consumer lending – IAC, Traders, and GMAC. Ontario was a much wealthier province than Quebec and Quebec experienced twice as many commercial failures in the 1930s as Ontario did<sup>25</sup>.

## MINING

Mining had become very important in Ontario<sup>26</sup> and on the Toronto market in the latter part of the 19<sup>th</sup> century and the early part of the 20<sup>th</sup> century. New processes to refine complex ores (such as separating copper and nickel) and demand emanating not only in Central Canada but also from the USA, led to a mining boom. Nickel was discovered by accident in the Sudbury region in 1883 when the CPR was laying steel across the Shield. J.P. Morgan invested heavily in it early in the 20<sup>th</sup> century so that he could control the supply of nickel to U.S. Steel.

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<sup>23</sup> Allan Taylor, former CEO of RBC told me that long before RBC moved their Head Office to Toronto, the Main Branch of the Royal in Toronto, of which he was branch manager, was much larger than the branch in Place Ville Marie in Montreal.

<sup>24</sup> This provision allowed the life insurance companies to record stocks at historical prices, rather than current prices.

<sup>25</sup> CYB, 1940, p. 958

<sup>26</sup> The major discoveries were on the Great Canadian Shield, acquired by the new Dominion of Canada in 1869 from the HBC as part of the Rupert’s Land Purchase. And in 1912 the locations became part of the Province of Ontario with the northern extension of the provincial boundary.

International Nickel Company would be the first ‘Canadian’ company on the Dow Jones Industrial Average [DJIA]<sup>27</sup>.

A boom began with the discovery of cobalt and silver in Cobalt in 1902 and was accompanied by gold finds at Kirkland Lake in 1906, Porcupine Lake in 1909 and, copper/gold at Noranda in the 1920s. Quebec did not participate in this minerals boom as much, even though there was a major find in the Rouyn Noranda district of northern Quebec, because there was no direct rail connect between the ore and Montreal as there was with Toronto and its mining discoveries.

Ontario became the leading source of mines and minerals in Canada, particularly Gold where it surpassed the Yukon as the major source of the precious metal. By 1940, Canada became the world’s third-largest gold-producer, after the Union of South Africa, principally the Transvaal, and the United States, accounting for 12 % of world production.

Two things happened in the 1930s to benefit Toronto’s growth in this sector. Through moral suasion the Ontario Government succeeded in having the TSE take over the SSME, and the world witnessed a higher price of Gold, thanks to President Franklin Delano Roosevelt. There was a problem in Toronto and that was the lack of ethics on the SSME. Ontario was getting a black eye reputation because of this, not only in Canada but also in neighbouring New York State. The Ontario Government appointed George Drew as the head of a new Securities supervisory body in 1931 – created before the Securities and Exchange Commission in the US – to tackle the issue. Attorney General Price urged Drew to apply moral suasion to ensure that the TSE take over the SSME, which he did. They were merged in late 1933<sup>28</sup>, just before Drew was fired by the new Mitch Hepburn Government.

The merger immediately gave the TSE a larger volume than the MSE. But there was more good news to come for Toronto and Ontario. On April 5, 1933, President Franklin D. Roosevelt changed the fixed trading price of gold from US\$20.67 per ounce to US\$35 per ounce, an increase of nearly 70%. Mining stocks in general on the TSE and gold stocks nearly doubled. Rising prices led to significantly higher production. While in Canada as a whole mining was not as important as agriculture, this was not true in Ontario where mining was more important<sup>29</sup>. Mining’s importance can be seen by the fact that in the late 1930s mining employed 130,000 workers in Ontario. whereas the auto industry only employed 15,000. In the decade from 1927 to 1937 the number of ounces mined increased 59% and the dollar value 69% [see Table1] The major gold mines were Hollinger and Dome in the Porcupine Lake area and Lakeshore in Kirkland Lake.<sup>30</sup> And the major stock exchange was the TSE where gold shares represented 12%

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<sup>27</sup> Inco’s legal head office was moved to Toronto in the late 1920s when it was reincorporated to avoid anti monopoly legislation in the U.S., a combination of the Sherman Act of 1890, the Clayton Act of 1914, and the Federal Trade Commission Act of 1914. At about the same time and for the same reason Alcan was spun off from Alcoa but located in Montreal rather than Toronto.

<sup>28</sup> The merger even made the New York Times, p. 42

<sup>29</sup> In John T. Saywell’s ‘Just call me Mitch’; The Life of Mitch Hepburn OHSS series of Ontario Premiers which deals with the 1930s the Agriculture Industry gets mentioned on 15 pages, the Newsprint Industry on 8 pages, the Securities Industry in 5, the Mining Industry is not in the index

<sup>30</sup> SUMMARY REVIEW OF THE GOLD MINING INDUSTRY IN CANADA 1940: CANADA DEPARTMENT OF TRADE AND COMMERCE DOMINION BUREAU OF STATISTICS CENSUS OF INDUSTRY MINING, METALLURGICAL & CHEMICAL BRANCH

of the value of all shares traded<sup>31</sup>. All of this justified having a picture of Harry Broughton Houser, the President of the TSE, on the cover of *Time* magazine in 1937.

Table 1 – Increase in Ontario’s gold production, 1927 to 1937

	1927	1937
Fine Ounces	1,627,050	2,587,095
\$	33,634,108	90,522,454

Source: Canada Year Books Historical Collection

## CONCLUSION

The Great Stock Market Crash of 1929 impacted Canada as well as the USA. Specifically, it impacted Montreal and St. James St and Toronto and Bay St as much or more as it impacted New York and Wall St. However, in the brief period of a decade the TSE rose from being 40% of the size of the MSE to being the Number One Exchange in Canada, the third largest in North America and one of the largest mining exchanges in the world.

There was devastation in both cities, but because of Ontario’s superior geographical location and Toronto’s aggressive approach to the development of mining on the Great Canadian Shield, the TSE won out in the battle of the Exchanges as to which would be number one. As Charles P. Kindleberger, the Economic Historian, has noted, there is only supposed to be one financial centre in any country.<sup>32</sup>

Dramatic declines by both industry sectors and individual stocks have been noted as well as personal tragedies, political events, and shady trading practices. The recovery period has been examined and the two major reasons for the TSE surpassing the MSE have been explained: Ontario’s geographic and attitudinal advantages over Quebec, and Ontario’s mining of minerals, particularly gold after President Roosevelt’s decision to raise the price of gold by 70% in 1933. While this dramatic change in the status of the two Exchanges was the coup de grace in the struggle for commercial supremacy in Canada, there were two other major events that led to Toronto’s eventual triumph (not counting the mineral locations on the Great Canadian Shield) – the Battle of the Bank Acts immediately post Confederation, and Toronto becoming the Bond capital of Canada during World War I.

In 1869 John Rose, later Sir John, was the best friend of Prime Minister Sir John A Macdonald and Edwin King, Chief Executive Officer in modern parlance of the Bank of Montreal. Rose brought forward a Bank Act in 1869 that would not only take away the right of banks to issue bank notes but would reduce most of them, excluding the Bank of Montreal, to local minor banks without branches. All of the ‘wild West’, i.e. Ontario, objected and Sir John A appointed a new Minister of Finance, Sir Francis Hincks who “has always been and is now quite unconnected with any Montreal interests, and stands quite independent of them.”<sup>33</sup> Assisted by Sir William McMaster, founder of the Canadian Bank of Commerce and Chairman of the Senate Banking

<sup>31</sup> The Imperial Bank had the best decade of any Canadian bank because of its strength in mining.

<sup>32</sup> Kindleberger, Charles P., Chapter 4 ‘The Formation of Financial Centers’ in *Economic Response: Comparative Studies in Trade, Finance and Growth*, Cambridge, MA, Harvard University Press, 1978

<sup>33</sup> *Appendix XX of Memoirs of The Right Honourable Sir John Alexander Macdonald by Sir Joseph Pope, 1930 reprint of 1896 original.*

and Finance Committee and others, upstart Toronto won its first battle with establishment Montreal, with the passage of the Bank Act of 1871. Banks retained the right to issue notes of \$4 and above and were allowed to continue to have branches.

Nearly a half century later Canada joined the Allied nations to fight World War I. The War was brutal, costly of lives and dollars. Canada didn't have an income tax for most of the War. Its traditional sources of debt financing, being principally the United Kingdom but also the United States, dried up, and the Canadian federal Government had to turn to Canadian sources. It did so by issuing Federal Government Savings Bonds. There were far more Savings Bonds sold in Ontario which is why the major Bond Houses, viz. Wood Gundy, Dominion Securities, A E Ames, and Osler & Hammond, were based in Toronto rather than Montreal.

Finally came the TSE surpassing the MSE in the late 1930s, long before the FLQ, "le coup de la Brinks" or Rene Levesque and the separatist *Parti Quebecois* won election in 1976. The one, two, three of the 1869-71 Battle of the Bank Acts, the underwriting of the war debt for the 1914-18 War and the coup de grace of the Gold Boom in Ontario, aided by President Roosevelt's 70% increase in the price of gold in 1933, were more than sufficient to give Toronto and the TSE on Bay St victory over the grandeur of Montreal and the MSE on St. James St/Rue St. Jacques.

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