

**“Good for all he would ask” :
Credit and Debt in the Transition
to Industrial Capitalism —
The Case of Mid-nineteenth Century
Brantford, Ontario**

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The transition to industrial capitalism in mid-nineteenth century Canada made not only the working-class, but also the bourgeoisie and, in so doing, altered the social meaning of self-employment. Using manuscript census schedules, assessment rolls, land records and credit reports, this paper reconstructs the business population of Brantford, Ontario, at four cross-sections from 1851 to 1881 to examine the role of credit and debt in this change. The re-evaluation of the nature of risk after the depression of 1857 tied credit more securely to tangible assets and thereby rejected what had been a central tenet of the morality of the commercial economy: the claim of the independent, responsible and respectable man to credit on the basis of his character. Rather than the expression of independence by the socially mature man, self-employment henceforth necessitated the qualification of independence through the encumbering of property.

La transition vers le capitalisme industriel au Canada, au milieu du XIX^e siècle, créait non seulement la classe ouvrière, mais aussi la bourgeoisie, entraînant ainsi une modification du sens social du travail indépendant. Le présent article, à l'aide de manuscrits de recensements aussi bien que de rôles d'évaluation, de registres fonciers et de rapports de crédit, reconstitue la population commerçante de Brantford, en Ontario, sous forme de quatre profils pour la période allant de 1851 à 1881, et ce dans le but d'examiner le rôle du crédit et de la dette au cours de cette évolution. La réévaluation de la nature du risque après la crise de 1857 a eu pour effet de lier plus rigoureusement le crédit à des valeurs matérielles et d'écarter ainsi un principe jusqu'alors fondamental de la morale de l'économie commerciale : le droit au crédit de l'homme autonome, sérieux et respectable selon des critères de bonnes moeurs. L'accès au travail indépendant allait désormais présupposer que le candidat justifie de son autonomie par l'engagement de biens plutôt que par la simple attestation de sa maturité sociale.

Industrial capitalism in mid-nineteenth century Canada made not only the working class, but also the bourgeoisie, and in so doing, it altered the social meaning of self-employment. With industrialization, and the necessary decline in self-employment associated with larger units of production and exchange, to be in business connoted new and different qualities of personality, values and social role. Rather than the representation of full maturity and independence, as in the culture of the British North American commercial economy, a business career came to identify the exceptional man. In this transition, the credit system exercised a significant influence. Not only did the allocation of credit affect the scale and opportunities for business, but the criteria of credit worthiness expressed an ideology which imposed positive and negative sanctions on behavior. This paper examines the changes in the credit system as they affected the ratings and mortgage-secured indebtedness of the

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businessmen of one mid-nineteenth-century industrializing town, Brantford, Ontario. Linking a number of sources — census schedules, municipal tax assessment rolls, abstract indexes to land transactions, copy books of deeds, city directories, and credit reports, both manuscript and published — has made it possible to outline a collective biography of over one thousand men self-employed in 1851-2, 1861, 1871, or 1880-1.¹

The credit reports on Brantford businessmen assembled by the Mercantile Agency of R. G. Dun and Co.² from the late 1840s through the early 1860s expressed an appreciation of the ideal of independence through self-employment as the central tenet of the social role of the businessman. Men whose self-employment bespoke independence often received recommendations for credit by virtue of their character despite their limited wealth or trade prospects. The financial collapse of 1857, however, and the ensuing difficulties experienced by private and public lenders in recovering loans granted on this kind of intangible security promoted a contraction of credit. Indicative of this change was Dun's more extensive reporting on the credit worthiness of a larger proportion of the businessmen in Brantford. From 1864 the firm issued to its subscribers credit manuals which stressed the primacy of only one variable, "pecuniary strength", as the appropriate basis for lending decisions. Besides relying on this service, the chartered banks at least from the 1870s employed their own credit raters to evaluate assets and liabilities and pursue the business of major industrial and commercial borrowers. In essence, then, as more businessmen came under the scrutiny of external agencies, self-employment became more narrowly sanctioned by reference to wealth, making character a less acceptable criterion. This re-definition affected most adversely the independent commodity producers and the self-employed tradesmen who had relied upon skill, maturity and community support for collateral.

This contraction of credit and the insistence of creditors on more tangible security contributed to the increasing value of mortgage debt that accompanied industrialization in Brantford in the late 1860s and 1870s. The demand for greater credit or security forced businessmen to indenture their real estate, and the assumption of debt, though often necessary for business purposes, represented a qualification to the independence sought in self-employment.

Studies of the role of credit in early Canadian industrialization have generally adopted a functionalist approach, concentrating upon the institutions and mechanisms which have linked production and consumption and the implications that these have had for the flow of merchant capital into industrial investment. Such concerns have been most evident in the debate provoked by Tom Naylor's contention that Canadian merchants and the financial institutions they spawned, preferred short term and relatively safe ventures and thus from the 1850s hesitated to invest in longer term, more risky manufacturing enterprises.³ Gerald

1. Cross-section years were selected on the basis of the availability of manuscript census schedules and assessment rolls for linkage. Both sources are extant for 1861 and 1871. But it was necessary to link the 1851 assessment to the 1852 census and the 1880 assessment to the 1881 census. The population analyzed at each cross-section is that identified as being self-employed and present in the census year.

2. The Mercantile Agency, founded in 1841 by Lewis Tappan of New York, was operated by a succession of firms until 1859 when Robert G. Dun assumed control. For convenience and because he continued to run it until his death in 1900, this paper will refer to the Agency as the Dun Co., despite the inaccuracy of the label. See James H. Madison, "The Evolution of Commercial Credit Reporting Agencies in Nineteenth-Century America," *Business History Review* 47 (1974), pp. 164-86; and Bertram Wyatt-Brown, "God and Dun and Bradstreet, 1841-51," *Business History Review* 40 (1966), pp. 432-50.

3. Tom Naylor, "The Rise and Fall of the Third Commercial Empire of the St. Lawrence," in *Capitalism and the National Question in Canada*, ed. Gary Teeple (Toronto: University of Toronto Press, 1972), pp. 3, 7-8, and *The History of Canadian Business* (2 vols., Toronto: Lorimer, 1975), I, p. 4.

Tulchinsky has explained the separation of commerce and industry in Montreal from 1837 to 1853 in similar terms, although he has added that the proprietorial form of industrial organization may also have deterred mercantile participation.⁴ On the other hand, noting that this theory of the nature of merchant capital contradicts what has been discovered about capital formation in England, Douglas McCalla has maintained that credit from merchants provided the very sort of capital — operating capital — most needed by early industrialists to bridge the time lag between their purchase of inputs and the sale of their products.⁵

McCalla's own work has astutely noted the ways in which one of the largest mid-nineteenth-century wholesaling firms in Canada, that of the Buchanan family, performed this function. The partners selected their clients on the basis of their evaluation of personal character and ability, informed by a prejudice for Scottish or at least British background and sustained by occasional meetings and inspections. If at times there seemed caprice in the termination of backing — as Michael B. Katz⁶ has too quickly concluded in explanation of the failure of Hamilton's entrepreneurs — it arose from a creditor's recognition that his trust had been misplaced or that he was himself overextended. Mercantile credit may have been easily obtained, but it was held with difficulty, as the high turn-over in the Buchanans' accounts indicated and as the cyclical collapse of the commercial economy revealed.⁷

The resolution of this contradiction in the credit system periodically involved the destruction of capital — for example, in 1837, 1847, and, of interest here, in 1857 — along with those institutions which acted as intermediaries in its circulation. The demise of the two main Ontario banks in the late 1860s, the Commercial Bank and the Bank of Upper Canada, discussed by Max Magill and Peter Baskerville respectively, demonstrated the risks to capital at the margin of the commercial system where information concerning clients' financial positions was obtained with difficulty and was often hypothecated upon values inflated with the optimism attending early development.⁸ The reduction of capital arising from the collapse of 1857, as Breckenridge's and McIvor's classic surveys of Canadian financial development suggested, provoked a restructuring of the credit system: not only did institutional lending policy become tighter and more directly tied to security, but also the legal definition of what could be demanded as collateral security was broadened to include bills of lading, and warehouse and other commercial receipts.⁹ More recently attention has focussed upon the ways in which the court system interpreted the law per-

4. Gerald J.J. Tulchinsky, *The River Barons: Montreal Businessmen and the Growth of Industry and Transportation, 1837-1853* (Toronto: University of Toronto Press, 1977), pp. 204-5.

5. Douglas McCalla, "Tom Naylor's *A History of Canadian Business, 1867-1914*," Canadian Historical Association, *Historical Papers*, (1976), pp. 249-54; S. Pollard, "Fixed Capital in the Industrial Revolution," in *Capital Formation in the Industrial Revolution*, ed. F. Crouzet (London: Methuen, 1972), pp. 148-51; L.R. McDonald, "Merchants against Industry: An Idea and Its Origins," *Canadian Historical Review* 56 (1975), pp. 263-81.

6. Michael B. Katz, *The People of Hamilton, Canada West: Family and Class in a Mid-Nineteenth-Century City* (Cambridge, Mass.: Harvard University Press, 1975), p. 201.

7. Douglas McCalla, *The Upper Canada Trade, 1834-1872: A Study of the Buchanans' Business* (Toronto: University of Toronto Press), pp. 38-40, 110, 150-6. Cf. George Bervin, "Aperçu sur le commerce et le crédit à Québec, 1820-1830," *Revue d'histoire de l'Amérique française* 36 (1983), pp. 527-52.

8. Max Magill, "The Failure of the Commercial Bank," in *To Preserve and Defend: Essays on Kingston in the Nineteenth Century*, ed. G. Tulchinsky (Montreal: McGill-Queen's University Press, 1974), pp. 169-81; Peter A. Baskerville, "The Pet Bank, the Local State and the Imperial Centre, 1850-1864," *Journal of Canadian Studies* 20 (1985), pp. 22-46.

9. R.M. Breckenridge, "The Canadian Banking System, 1817-1890," *Journal of the Canadian Bankers Association* 2 (1894-5), pp. 431; R. Craig McIvor, *Canadian Monetary, Banking and Fiscal Development* (Toronto: Macmillan, 1961), pp. 55, 69-71.

taining to the nature of contract, the allocation of losses, and the procedures of bankruptcy. R.C.B. Risk has concluded that in Ontario the judiciary's reluctance to break with existing precedents under English common law qualified the significance of legal initiative in economic development.¹⁰ Peter George and Philip Sworden have admitted this, but have also contended that any body of case law in and of itself clarified the legal framework of business. Simple knowledge of how the commercial system was to be interpreted reduced transaction costs and thereby improved allocative efficiency.¹¹

Concerned with credit as a function, Canadian historians have not directly considered the other implication of Naylor's thesis; that is that granting credit was discretionary. It necessitated choices and those choices influenced economic structures. Study of the grounds upon which choices were made and the implications of these choices involves a study of relative access to credit, a social problem, perhaps best approached through a community case-study.

Mid-nineteenth-century Brantford typified those small southern Ontario towns and cities in which, according to John McCallum, the mercantile prosperity of the 1850s laid the foundation for manufacturing development in the 1870s.¹² About twenty-five miles from the head of Lake Ontario, Brantford possessed canal and rail connections with Buffalo, New York, and its merchants competed with those in Hamilton for control of the western Ontario grain trade and for the business of consumers and producers in the rural districts. The collapse of the commercial economy in 1857 bankrupted many of the town's merchants who were overextended by speculations in the grain, lumber and land markets. In the autumn of 1857 creditors rushed into the Brant County Court in attempts to recover their losses. Three hundred and sixty-seven judgements for overdue debts, more than twice as many as in all of 1856, were registered in County Court against Brantford businessmen. The biggest loser was the Toronto private banker, E.F. Whittemore, who registered judgements of over \$100,000 against local businessmen, while the chartered banks suffered losses totalling \$125,000 on Brantford business paper.¹³ On one day alone, 3 March 1858, the court issued 130 summons against people unable to satisfy judgements against them.¹⁴ Suits from creditors seeking attachments of goods and mortgage foreclosures clogged the County Court of Chancery and local newspapers regularly noted sheriff's sales of property seized by court order.

From the late fifties through the early sixties, Brantford languished. Its population, which had swelled from 2250 in 1848 to 7266 in 1858, dropped to 6251 in 1861. Industrialization in the 1870s brought recovery. Employment mainly in the metal fabricating

10. R.C.B. Risk, "The Nineteenth Century Foundations of the Business Corporation in Ontario," *University of Toronto Law Journal* 23 (1973), pp. 270-306; "The Golden Age: The Law about the Market in Nineteenth-Century Ontario," *Ibid.* 26 (1976), pp. 307-46; "The Last Golden Age: Property and the Allocation of Losses in Ontario in the Nineteenth Century," *Ibid.* 27 (1977), pp. 199-239; "The Law and the Economy in Mid-Nineteenth Century Ontario," *Ibid.* 27 (1977), pp. 403-38.

11. Peter George and Philip Sworden, "The Courts and the Development of Trade in Upper Canada, 1830-1860," *Business History Review* 60 (1986), pp. 280.

12. John McCallum, *Unequal Beginnings: Agriculture and Economic Development in Quebec and Ontario until 1870* (Toronto: University of Toronto Press, 1980), pp. 55, 87-90; James M. Gilmour, *Spatial Evolution of Manufacturing in Southern Ontario, 1851-1891* (Toronto: University of Toronto Press, 1972).

13. Archives of Ontario [hereafter cited as AO], RG 22, County Court Records, Brant County, Register of Judgements, 1853-8.

14. Public Archives of Canada [hereafter cited as PAC], W.C. Good Papers, vol. 25, Letterbook 1856-61, Allen Good to [?], 4 Mar. 1858.

industry — in the Grand Trunk Railway Car Shops, the Waterous Engine and Machine Works, two agricultural implement factories and two foundries — as well as in a cotton mill, a woollen mill, a starch factory and several smaller carriage factories, supported the city's population of 10 555 in 1881. As the Brantford *Expositor* explained, manufacturing was “about the only avenue that pays substantial interests on investments.”¹⁵ In consequence the city's business community was restructured: the rate of self-employment declined by about forty per cent, from one in four males over the age of sixteen in 1861 to one in seven in 1881. Not only was starting a business more difficult, so too was staying in business. Whereas one half of new businesses failed in less than ten years in the 1850s, two thirds did so in the 1870s.¹⁶ More limited access to credit contributed to these changes.

Credit made the economy run and businessmen were dependent upon it. A businessman held much of his wealth in trust, which, in turn, depended on the good opinion, confidence and esteem of his associates. Should a man lose that confidence and be pressed to settle his affairs, his wealth might quickly collapse, since only with time could he realize the full value of the accounts of customers to whom he himself had extended credit. The credit system of the commercial economy, as described by the Cashier of the Bank of Upper Canada, recognized the right of “every farmer or person in trade or in respectable circumstances, who can give unexceptional personal security, to secure from the public banks reasonable accommodation.”¹⁷ Credit was the prerogative of the respectable and responsible man; its purpose was not a matter of great concern to the lender since an honourable borrower fulfilled his obligations. The ideal of this code of honour was well stated in 1857 in the *Canadian Merchants Magazine and Commercial Review*, no doubt as a reminder to debtors tempted to abscond:¹⁸

The true merchant is but the true man, illustrating a particular condition in life... The ethics and moralities, prevailing in, and governing all other relations, should be those which suggest his mercantile life and conduct. He should have no rule of right and wrong for the social circle and drawing room, and another for the counting house and busy marts of trade... His promises ring out like true gold — contracts are never violated — his drafts are never dishonoured — he needs no endorser... His bank is integrity and his bank book shows always a large credit side to his account. He values equities above legalities, and moralities above advantages. He looks the sheriff and the constable full in the face, like an honest man; and lawyers and agencies he never invokes.

Credit, then, was related to the businessman's conformity to a role model that stressed qualities of character and personality.

The agents, both local and itinerant, retained by the Mercantile Agency to report on Brantford business, expressed this personal approach to credit in the 1840s and 1850s. A man's wealth determined the amount of credit he might receive. But his character determined whether or not he would receive any credit. Though wealthy, a man lacking in character was a poor risk. For example, potential creditors of one of Brantford's wealthiest general merchants, a “rather sharp and unscrupulous [man]... who will make money by hook or by crook”, were forewarned in 1854 that “his word is of no moment or importance to him, if the observance of it stood between him and gain.” Consequently lenders were

15. Brantford *Expositor*, 26 Aug. 1881.

16. David G. Burley, “The Businessmen of Brantford, Ontario: Self-Employment in a Mid-Nineteenth Century Town” (Ph.D. Dissertation, McMaster University, 1983), pp. 136, 145, 322.

17. R.J. Burns, “Ridout, Thomas Gibbs,” *Dictionary of Canadian Biography. Vol. IX: 1861 to 1870* (Toronto: University of Toronto Press, 1976), pp. 661-2; Magill, “Commercial Bank,” p. 178.

18. *Canadian Merchants Magazine and Commercial Review*, 2(Oct. 1857-Mar. 1858), p. 911.

advised to have little to do with this poor risk.¹⁹ On the other hand, a bookseller, “honest as the day is long,” but who, the reporter admitted, would “never make more than a living...[since he] unfortunately can’t get on in business,” was considered deserving of a good credit rating as encouragement.²⁰

Those who conformed to the image of the ideal businessmen — an independent, respectable, responsible family man who was determined to succeed — impressed creditors. The independent businessman did not seek credit lightly, since to assume indebtedness, even for trade purposes, compromised his freedom and independence of action. Thus, it was a compliment for businessmen’s credit ratings to declare that “he would ask no credit he may not be entitled to” or that he “always pays up like a man” or that he is “good for all he would ask”.²¹ Of course, a man had to be respectable and of good character to be credited, or rather, if of bad character a man found great difficulty in obtaining credit. Comments on the honesty, industry and decency of businessmen were so frequent in the credit reports that they became clichés. One simply expected a businessman to deal fairly; thus, it was not honourable actions that impressed, but dishonourable ones. A man taking advantage of his partner, breaking a business contract, betting on horses, speculating, gambling, cutting prices ruinously or simply having “not much heart” received a qualified credit rating.²² So did a man “too fond of the glass”, even if he took the pledge.²³ Yet, ethnic stereotypes might mitigate the stigma. Thus, for an Irish Catholic or a German the consumption of intoxicants was considered part of his life style. The German grocer who “eats, drinks and sleeps at a great rate” was just a colourful local character, as was the Irish Catholic grocer “who gets on a spree once in a long while which sharpens his wits.”²⁴

A businessman might be independent and his character above suspicion, but if he had “no responsibility”, then he was a poor risk.²⁵ Responsibility was for the mid-Victorian more than mere accountability for one’s actions and behavior. It was something quite tangible and included those things to which the mid-Victorian man was most passionately committed, his property and his family. Real estate holdings demonstrated to creditors that a businessman had made a commitment to a town. He was not “in a position so that he could take up his traps and leave at five minutes notice.”²⁶

A family and a wholesome family life were probably the most important factors in establishing a man’s responsibility and his worthiness of credit. A single man, it was felt, lacked the order in his life of a married man and father and had less reason to be ambitious.²⁷ A family man who did not live up to his obligations was morally reprehensible. The Dun credit reporter was shocked and disgusted by a general merchant who “has left for British Columbia and left nothing here but his wife and three children.”²⁸ If a man would not fulfill his responsibilities as a family man, he was certainly not to be trusted with credit.

19. Baker Library, Harvard University, Dun and Bradstreet, Credit Ledgers, Brant County [hereafter cited as DUN], p. 45.

20. DUN, pp. 52C, 52D, 52H, 52F, 75, 119.

21. DUN, pp. 37, 48, 67, 82, 82/2, 119.

22. DUN, pp. 45, 52D, 67, 82I.

23. DUN, pp. 46, 97, 134, 82/0.

24. DUN, pp. 47, 49, 136.

25. DUN, pp. 52A, 52D, 58, 73.

26. DUN, pp. 52L.

27. DUN, pp. 52/0.

28. DUN, pp. 84.

A man's family, were it not organized and disciplined properly, could prove a disadvantage in establishing good credit. Failure to maintain family discipline raised doubts concerning a man's ability as head of the household and might occasion gossip that an extravagant wife or wild sons were a drain on the profits of the business.²⁹ Creditors were even wary of a man with a family too large which might gobble up all the fruits of his endeavours.³⁰ Preferable was a man with a small family, such as the "Scotch, stingy, close, hardworking" saddler whose "whole family expenses cannot possibly be over \$35 or \$40 per annum, unless oatmeal should rise and his cow die."³¹ These, then, were the characteristics which influenced the decisions of potential creditors. A businessman ought to be honest, moral, hardworking, committed to independence and vested with responsibilities. Such a man had too much to lose should he fail to meet his obligations.

The frequent complaints against the favouritism of bank accommodation policy would seem to controvert the even-handedness of a credit system based on evaluations of character.³² Easy access to credit for the self-employed artisan and small businessman was not necessarily incompatible with bitter infighting and discrimination among major merchants and financiers. Rather this contradiction was symptomatic of the bifurcation of the economy of the commercial city and the overlapping dualities of the inward/outward perspectives and engagements of merchants and of the at times divergent interests of artisans and merchants. Different though these two components were, mercantile enterprise and petty enterprise did impinge one upon the other. As T. W. Acheson has noted in his study of Saint John, N.B., the acceptance of mercantilism by artisans depended upon their perception of benefits in the promotion of mercantile enterprise.³³ It was in the interests of merchants to promote this artisanal acquiescence to their leadership of the commercial economy. The implementation by merchants of what essentially was a credit standard of petty enterprise ought to be seen in this light.

The petty enterprise of artisans and shopkeepers who obtained most of their stock and credit locally comprised the largest part of Brantford's business community from the 1830s to the mid-1860s. To them, being in business asserted their social maturity, their independence, rather than revealed any commercial acumen. That so many achieved independence in Brantford was remarkable, for in 1852 and 1861 one third of all men in their thirties and two fifths of those in their forties were self-employed. Their operations were small in most instances. Nearly two thirds of those engaged in the production of goods in 1861, for example, reported to the census enumerator that they employed no labour.³⁴ Still such businesses satisfied much of local consumption by producing basic commodities and retailing what they could not produce. Some did venture the twenty-five or so miles to Hamilton and a few did go as far as Toronto or Buffalo to procure some items. But these excursions were limited and suspicions could be provoked by the small timer wandering too far from home.³⁵

29. DUN, pp. 49, 51, 53, 68, 82.

30. DUN, p. 56.

31. DUN, p. 82.

32. An informative study of one example of unwarranted favoritism is Peter Baskerville, "Donald Bethune's Steamboat Business: A Study of Upper Canadian Commercial and Financial Practice," *Ontario History* 67 (1975), pp. 135-50.

33. T. W. Acheson, *Saint John: The Making of a Colonial Aristocracy* (Toronto: University of Toronto Press, 1985), pp. 57-8.

34. Burley, pp. 104, 184, 186.

35. DUN, pp. 52D, 58, 70, 91.

In crediting petty enterprises merchants and even bank managers in the 1840s and 1850s demonstrated a generosity within their community that they themselves might not have enjoyed. General merchants and purveyors of alcohol willingly supported “low grocers” with no security. Some employers helped set up employees in business, at times as competitors.³⁶ The local banks too could act favourably to tradesmen of laudable character. About two German tanners, Dun’s agent remarked in 1861: “although their capital is small, [they] are treated liberally on account of their character and industry [and they] are well thought of by the local banks.” In another act of generosity, the Bank of Montreal’s agent backed a former labourer in opening a general store.³⁷

To have friends was important, but connections did not necessarily distinguish a man. Many, if not most, small operators appear to have been so favoured. If they did not have a sympathetic employer or acquaintance in business, co-religionists might offer encouragement.³⁸ Valuable friends in deed to members of Farringdon Church, an Independent Methodist sect, were James and Ignatius Cockshutt, from the 1840s the wealthiest merchants in Brantford. One beneficiary, Thomas Cowherd, the Tinsmith Rhymer, expressed his gratitude in his own peculiar verse:³⁹

TO MR. JAMES C _____ T.
NOVEMBER, 1853.
“A friend in need’s a friend indeed”
O, can I look back to the time of my need,
When thou, under God, prov’dst a kind friend indeed,

And feel no emotion my bosom to swell?
'Twere baseness of conduct too shocking to tell.

Time was when chill penury stared in my face,
And I was made feel it almost a disgrace.
As a fruit of thy kindness that time has gone by,
So I to be thankful would constantly try.

O, well I remember how often I thought
My business endeavours would all come to naught;
That I, 'midst my toiling should surely stick fast,
And most sad disappointment meet me at last.

The Lord sent thee to me at such time of trial,
When exercised well with the grace of Self-denial.
Thy kind way of speaking took from me my sadness,
And left in its place a rich increase in gladness.

36. DUN, pp. 69, 91, 108, 111. Cf. Anthony F.C. Wallace, *Rockdale: The Growth of an American Village in the Early Industrial Revolution* (New York: Knopf, 1978), pp. 51, 55, 412; and Clyde and Sally Griffen, *Natives and Newcomers*, p. 35.

37. DUN, p. 50, 52, 106.

38. DUN, p. 52C, 99.

39. Mary B. Stedman, *Farringdon Church: Its History and Background from 1830 to 1877* (Brantford: n.p., 1977), pp. 3-13; Thomas Cowherd, *The Emigrant Mechanic and Other Tales in Verse by...the Brantford Tinsmith Rhymer* (Jackson, Mich.: Daily Citizen Book and Job Printing House, 1884), p. 253.

And oft since that time through a much chequered life
 Amidst this world's bustle, its turmoil and strife,
 My mind has been solaced with thoughts of thy love,
 Which does thy relation to Christ clearly prove.

.....
 May thy good example to those that remain,
 Be useful in showing Religion is gain.

Though Cowherd's poetic genius may not have done justice to his sincerity, his verse does eloquently attest to his self-denial and the burden he felt from not getting ahead. But more significantly he explained Cockshutt's help not as a favour but as the act of true Christian friendship. His example also affirmed a central tenet of the moral economy of petty enterprise: as Dun's agent put it about another, "By the assistance of Friends, [he has] got a small stock"⁴⁰. Knowledge of someone's good character conferred an obligation upon its holder to respect and, if possible, to advance his independence. To the Victorian artisan, as Geoffrey Crossick has observed, "independence, self-government and self-reliance were theoretically attainable by all" within a society of one's equals.⁴¹

Fraternalism distinguished petty enterprise from the moral economy of eighteenth-century paternalism that E.P. Thompson has examined. In fact patronage and the appearance of being patronized was deeply resented by those who interpreted its acceptance as compromise of their independence.⁴² A reluctance to be beholding to another imposed a limit upon the line of credit a small proprietor might seek. Dun's reporter took this into account when recommending two tanners for "any amount they would ask for as I don't think they like being in debt." Similarly although one cabinet maker was deemed a good risk for \$600 in 1858, the investigator doubted whether the "close-fisted Scotchman... will ever have courage to ask for more than \$50 credit or buy more than that amount of goods at one time."⁴³ The debts assumed and the credits extended in this moral economy often amounted to little individually: less than \$500 generally was suggested by Dun for the lowest category of subjects. Yet a few dollars, a few days more could mean the difference between continuing business and closing shop.

A rating from Dun tended to affect such men only if their horizons broadened. By definition, unless they stood low in local opinion, they would have been unlikely to seek much credit from the sorts of American firms that used Dun's service in the 1850s. Brantford's transportation links with Buffalo did however present temptation to touch American lenders. Dun's representatives often received requests to check certain names, presumably men who had approached one of their clients. Numerous entries simply give the name and occupation of a subject followed by the lone comment: "Can't find out about them"; "No such firm here"; "Questionable!!" Or, when the reporter became suspicious, he communicated his concern: for example, in 1858 about two tavern keepers, "fearing

40. DUN, p. 52J.

41. G. Crossick, *An Artisan Elite in Victorian Society: Kentish London, 1840-1880* (London: Croom Helm, 1978), pp. 144, 156. Cf. Paul Faler, "Cultural Aspects of the Industrial Revolution: Lynn, Mass., Shoemakers and Industrial Morality, 1830-1860," *Labor History* 15 (1974), p. 388.

E.P. Thompson, "The Moral Economy of the English Crowd in the Eighteenth Century," *Past and Present* 50 (1971): 83-6; Bryan D. Palmer, "Kingston Mechanics and the Rise of the Penitentiary, 1833-1836," *Histoire sociale-Social History* 8 (May 1980), p. 26-7; Robert Q. Gray, *The Labour Aristocracy in Victorian Edinburgh* (Oxford: Clarendon Press, 1976), pp. 90, 146.

43. DUN, p. 70, 101.

they might trouble some of the NY merchants, we advise you of their position.”⁴⁴ For the artisan and shopkeeper, a rating probably had more effect when it recommended against credit.

In this role, Dun’s advice seems to have been fairly reliable. Studying the evaluation of fifty-one of the Hamilton’s elite, however, Michael Katz was impressed by the sudden turn of fortune and by the lack of warning of failure in their credit ratings.⁴⁵ The Brantford ledger reveals a similar predictive weakness for the town’s largest merchants, but had Katz studied all the ratings, he may have found that, as in Brantford, sounder counsel was available concerning self-employed artisans. In the ninety-three instances of failure explicitly mentioned between 1850 and 1870, warning of impending difficulties in the form of a recommendation against credit or exposure of serious business problems was provided one year in advance in about fifty per cent of the cases.⁴⁶ (Table 1)

Table 1 Reliability of R.G. Dun and Co.’s Credit Reports, 1850-1870 (N of Cases)

	Warning 1 Year Ahead	Given of Impending Less than 1 Year	Failure None	Total
Merchants ^a	11	4	19	34
Petty Shopkeepers ^b	10	5	5	20
Manufacturers ^c	6	—	2	8
Artisans	20	2	9	31
Total	47	11	35	93

a Includes hotel keepers.

b Includes saloon and tavern keepers.

c Includes millers, builders and planing mill owners.

Unexpected failure proved that character was less effective in allocating credit within mercantile enterprise because of more entangling credit relationships beyond the community. Three groups of merchants can be defined in accordance with the role of character in these relations. First those support houses which received the stock from a single wholesaler generally possessed slight capital and depended entirely upon their supplier. In selecting men to support, wholesalers undoubtedly preferred those whom they knew at first hand and might therefore trust at a distance. For this reason a number picked their clerks, deeming knowledge of ability and character more important than capital. While acknowledging their character, Dun’s representative tied their ratings to the reputation of their backers — “unsafe alone”. Support houses, even when conducting a profitable business failed suddenly, should their suppliers encounter trouble. Anticipating such a problem, a retailer might approach some new wholesaler on the basis of the health of his

44. DUN, pp. 52C, 91, 106.

45. Katz, *The People of Hamilton, Canada West* (Cambridge, Mass.: Harvard University Press, 1975), pp. 199, 201, 202-3.

46. This analysis has employed a very limited and legalistic definition of failure to include insolvency, assignment of assets for the benefit of creditors, court seizure of assets, court judgements ordering payment of overdue notes, and absconding. Most failures, however, occurred quietly as a man honourably absorbed his losses and quietly closed his shop door.

operation without indicating the extent of his obligations to his original backer.⁴⁷ Dun warned against this.

A second and probably the largest category of mercantile enterprise included those merchants whose capital was sufficient to allow them either to pay cash or to offer security. Their metropolitan connections were limited to specific transactions and, though they might deal with only one or two wholesalers, they could shop around for the best terms. Risk arose from dealing with a firm prepared to oversell the market by supplying whoever wished to buy. The grocery trade, in which margins were small and profits depended upon volume, suffered from this and accounted for the largest number of failures in a single trade, nineteen, noted by Dun. Knowledge of character helped a creditor anticipate debtor behavior. Merchants did seek protection by contriving the priority of claims of friends to whom they could then assign their assets should difficulties arise.⁴⁸ Both wealth and character then interested potential lenders: the former assured that a man in this category could pay, the latter that he would.

Most of the unanticipated failures in the 1850s and 1860s fell among the ranks of the third group, the wealthiest merchants who possessed extensive interests and connections. They relied upon multiple metropolitan suppliers and brokers, the chartered banks and each other for credit, and they complained when it was not forthcoming to the extent that they sought.⁴⁹ Nevertheless the wealthiest were credited most extensively and unwisely in the halcyon years before 1857. Somewhat different standards measured their character than were applied to more plodding businessmen. Boosters might have seemed "rather sanguine and speculative", but their vision and enthusiasm, as well as their extensive participation in the town's economy blinded Dun's reporter as thoroughly as the chartered banks to the susceptibility of their interests and assets to cyclical devaluation.

Unrivalled in ambition and in the confidence of lenders was George Samuel Wilkes. From the late forties through the fifties, Wilkes immersed himself in nearly every opportunity presented by the commercial economy: wholesaling and forwarding, flour milling and grain speculating, rail promotion, iron founding, newspaper publishing and real estate speculating. His reputation as a "good man of business" and his and his family's extensive land holdings stood him in good stead with lenders, Dun's opinion being "entitled to any credit he may require."⁵⁰ At one time able to pass and repay an unendorsed promissory note for \$48,000, in 1857 he defaulted on notes and endorsements to the sum of \$238,674 — about ten per cent due to the banks — and mortgages for \$83,380. The 141 court judgements registered against him for non-payment of notes demonstrate that, while endorsements may have been provided somewhat too freely, a degree of reciprocity was expected. The endorsee, in exchange for having his note co-signed, either co-signed a note for his endorser or gave a note indebted himself to his endorser. Neither offered much protection to someone mixed up with Wilkes, but the choice of protection revealed something about credit/debt relations in the bifurcated commercial economy. P.C. VanBrocklin, railroad promoter and steam engine and car manufacturer — a "fast man" in his own right — typified the strategy of other prominent businessmen in demanding security for co-signing. Notes from Wilkes for \$27,000 offset VanBrocklin's obligations

47. DUN, pp. 65, 78, 82, 94, 102, 112.

48. DUN, pp. 50, 54, 62, 69, 82 1/", 82 3/", 112. Cf. Gaetan Gervais, "Le commerce de détail au Canada (1870-1880)," *Revue histoire de l'Amérique française* 33 (mars 1980), pp. 523, 525, 533, 539.

49. E.g., Good Papers, vol. 25, Letterbook 1856-61, Allen Good to James Coleman, 20 Dec. 1856.

50. DUN, p. 57.

of \$44,500 as an endorser. On the other hand, William Lines, the labourer assisted as general merchant by the Bank of Montreal, received no notes from Wilkes, but in return for backing \$6100 of debts had Wilkes co-sign for \$1657. Similarly John M. Tupper, a successful carriage maker, endorsed for \$14,500, while Wilkes reciprocated with \$2100 in endorsements. Lines and Tupper, men who had risen from petty enterprise, acted in a way appropriate to that moral economy. They could trust Wilkes, just as he could trust them to make good on their paper. Those engaged in mercantile enterprise wanted more security. In hindsight, to hold a Wilkes' note was to hold little, but it still was an asset.

One last pattern was evident in the debt of George S. Wilkes. Among his liabilities were a number of notes which he had endorsed for men with whom he had no business or personal connection: \$120 for a self-employed painter; \$116 for a bookseller; \$508 for a small grocer to buy stock locally; \$528 for a tavern keeper for liquor from a Brantford distiller.⁵¹ To him such transactions were insignificant. But Wilkes' action implicitly accepted the moral economy and recognized that his own ventures, like those of other boosters, rested in part upon the political confidence that small proprietors had in men of his sort to run the affairs of the town. The ability of Mayor Wilkes to pledge municipal credit to promote railroads, navigation improvements or the gas company depended upon the perception of artisans and shopkeepers as voters that mercantile enterprise promoted petty enterprise.

With the collapse of the commercial economy, acceptance of a credit system founded on intangibles was a luxury and greater use was made of the credit rating service provided by the R.G. Dun and Co. From 1864 the agency published a quarterly register of credit ratings of businessmen in British North America for the use of their subscribers, who included Canadian wholesalers as well as the chartered banks themselves.⁵² This sped up credit investigations, since no longer did potential creditors have to telegraph for an evaluation. As well, the chartered banks themselves hired credit reporters to investigate and recruit major accounts.

More intense scrutiny by the Mercantile Agency presented a moral dilemma to the *Monetary Times* of Toronto:⁵³

On the one hand, to legalize these institutions...is placing one portion of the mercantile community under an organized system of espionage and inquisition for the benefit of the other; and, on the other, to refuse to legalize them may be restricting injuriously the right of enquiring into the character and standing of the customer asking for credit in his business transactions.

In the journal's opinion, the issue opposed two conceptions of the proper relationship between creditor and debtor: an older one in which the lender himself judged "character and standing" and a new and impersonal one mediated by spies who separated the business community. In the end, the *Monetary Times* concluded that new conditions making it impossible for a lender to obtain knowledge independently justified the use of some intermediary.

The Dun ledger does reveal an improvement in the quality of information available to the firm's clients, in particular precise accounts of business assets and liabilities. Re-

51. Brant County, Register of Judgements, 1853-8.

52. Copies of the published credit manuals bear the imprint of the Bank of Montreal and of the Brantford saddlery and harness manufacturers, Smith, McKay and Co. Cf. McCalla, *Upper Canada Trade*, p. 112; Madison, "Credit Reporting Agencies," pp. 171-3.

53. *Monetary Times*, 24 Oct. 1867.

cognizing the importance of their rating, Brantford businessmen appear to have provided the reporter with financial statements from the late 1860s and to have protested when they believed they had been unfairly evaluated. Such complaints were met with requests for detailed statements and reluctance to comply raised suspicions.⁵⁴ The subjects themselves changed the role of the credit reporter from spy to agent: whereas the first raters were cautioned to remain anonymous, potential borrowers who wanted to be known would not allow later ones to remain so.⁵⁵

In consequence, Dun's credit reporting on Brantford's businessmen became more detailed following the depression of 1857. Whereas only forty businessmen (17 per cent of all) had established ratings in 1851-2, 155 (44 per cent of all) had done so by 1861. During this decade, coverage was extended beyond the major businessmen — loosely defined as the wealthiest twenty per cent of the business population — who had previously attracted the most attention. Included were more of those in the lower percentile ranges of the distribution of wealth. (Table 2) As well greater attention was paid to independent commodity producers in all trades. For example, only one shoemaker received a rating in 1851; ten of sixteen did in 1861. No tailors or cabinet makers were reported in 1851; four of each were in 1861. The concentration on these groups suggested a re-evaluation of the locus of risk in the economy. Over the ensuing twenty years this pattern persisted as coverage became more complete, reporting on 250 businessmen (67 per cent of all) in 1871 and 371 (93 per cent of all) in 1881. Moreover, by 1881 credit ratings had become more clearly related to wealth. Since Dun's reporter pronounced a judgement which was not merely positive or negative but graded, the ratings can be quantified and treated as a ranked order: no good or poor, fair, and good. The meaning of the middle rank remained constant through this period. It indicated one of two things: either a man's business was respectable but modest in scale and he was entitled to only "reasonable" credit, or he was experiencing difficulties which could be resolved with the careful forbearance of creditors.

Table 2 Per Cent of Businessmen in Each Economic Rank Receiving Credit Ratings, 1851-1881

Economic Rank	1851-2	1861	1871	1880-1
0-39 percentile	12.0	40.2	53.4	64.6
40-79	13.0	46.5	56.8	66.9
80-89	42.1	68.9	88.2	86.8
90-100	65.0	83.9	85.7	86.8

Source: AO, RG 17, Brantford Assessment Rolls, 1851, 1861, 1871, 1880; Baker Library, Harvard University, Dun and Bradstreet, Credit Ledgers, Brant County; Reference Book for the Dominion of Canada... (Toronto, Montreal, Halifax: The Mercantile Agency, 1871, 1881).

Note: The methodology employed in calculating percentile rankings of wealth from the assessment rolls is described in Burley, "Businessmen of Brantford," p. 396.

Re-definition altered the meaning of the other two ratings. In the 1850s a "no good" or "poor" rating identified those whose character was suspect even if they were wealthy, who possessed no responsibility, or who were newcomers and relatively unknown. None

54. DUN, pp. 82 3/4, 100, 121, 123, 126, 141.

55. D.A. Muise, "The Dun and Bradstreet Collection: A Report," *Urban History Review* 3-75 (Feb. 1976), pp. 23-6.

the less, it was not unknown for the poorest of Brantford's businessmen to receive a "good" rating. In 1851 one third of the ratings given to those in the poorest forty per cent were "good", an approval rate that exceeded that of the next wealthiest forty per cent. (Table 3) A small businessman's self-control, self-knowledge and realistic evaluation of his prospects might inspire the same confidence and credit rating as that given to a more wealthy man. Time, however, diminished the likelihood of a favourable report for the least wealthy.

Table 3 Credit Ratings by Economic Rank, 1851-1881 (in per cent)

Year	Economic Rank	Credit Rating		
		No Good/ Poor	Fair	Good
1851-2	0-39 percentile	55.6	11.1	33.3
	40-79	70.0	...	30.0
	80-89	25.0	12.5	62.5
	90-100	15.4	23.1	61.5
	All	40.0	12.5	47.5
1861	0-39 percentile	78.1	5.9	16.0
	40-79	59.1	18.2	22.7
	80-89	31.8	50.0	18.2
	90-100	19.2	19.2	61.6
	All	53.5	19.4	27.0
1871	0-39 percentile	61.4	38.6	...
	40-79	25.6	56.5	17.9
	80-89	9.4	31.2	59.4
	90-100 . . . . .	...	25.9	74.1
	All	33.6	42.3	24.1
1880-1	0-39 percentile	54.1	45.3	0.6
	40-79	13.0	69.6	17.4
	80-89	11.4	34.3	54.3
	90-100	11.1	11.1	77.8
	All	31.6	48.7	19.7

The expansion of reporting in the 1860s acted to the detriment of the least wealthy rank of businessmen and was probably, in part, an effort to warn potential creditors about men who in time of economic adversity might attempt to search farther afield for credit support. Only half as many in the poorest rank received a "good" rating in 1861 as in 1851 and nearly eighty per cent were considered a poor risk. The message was clear: doing business with a man possessing little capital was dangerous in 1861. For that matter, the credit reporter did not think highly of business prospects in general in Brantford in the aftermath of the crash of 1857. More than half of the business community were given "poor" ratings in 1861. "Good" ratings dropped from forty-seven per cent in 1851 to twenty-seven per cent in 1861. Even a sizable proportion of the wealthiest twenty per cent were considered questionable. Nearly a third of businessmen in the eighty to eighty-ninth percentile received a "poor" rating, while fewer, under twenty per cent, were judged "good" in 1861, compared with more than sixty per cent ten years before.

Overall Brantford business was more favourably evaluated in 1871. Nevertheless, the wealthy were clearly divided from those men of limited means. In fact the revival of

lender confidence in Brantford did not extend to the latter businessmen: between fifty and sixty per cent of the least wealthy forty per cent were deemed unworthy of a positive report; none in 1871 and less than one per cent in 1881 of that rank were recommended as good risks in 1881. On the other hand, about three quarters of the wealthiest ten per cent of the business community were rated "good".

Another feature of the re-evaluation of risk involved more frequent comments about trade prospects, especially the poor outlook for artisans. The shoemaking trade, for example, was overdone, according to the reports in the 1860s: "Some must go shortly...I don't believe that half the shoemakers are paying expenses," wrote Dun's reporter.⁵⁶ The more intensive credit reporting through the 1850s resulted in a dramatic increase in the number of tradesmen who were deemed unworthy of credit: whereas less than one-quarter of those self-employed in industrial production received a "poor" rating in 1851, more than one half suffered this evaluation in 1861, an opinion that did not improve in 1871 or 1881. On the other hand, the risk associated with craft production, with such traditional occupations as blacksmithing, harnessmaking, shoemaking and tinsmithing, was clearly distinguished from that of factory production, especially the large foundries, carriage factories and agricultural implement factories, and even from that of retail merchandising, a new and growing sector of the business community in the 1870s. (Table 4)

The credit system in Brantford rested on an evaluation of wealth and prospects for business in the 1870s. No longer was good character a significant variable in obtaining credit. Like the Dun reporter, the Bank of Commerce's agent in Brantford, Thomas S. Shenston, investigated those criteria of importance to lenders. As Brant County Registrar and able to conduct title searches and consult court judgement registries, Shenston could provide the most complete financial information available at the time and this he did in detail with, he admitted, "plodding caution".⁵⁷ His favourable ratings addressed finances in the main.⁵⁸ Only negative reports raised character or life style as decisive factors. One businessman was dismissed curtly as a "former farmer with some of the worst habits of the city".⁵⁹ Another, a builder and planning mill owner, lacked forcefulness, was judged weak because he "appear[ed] to have little control over his workmen."⁶⁰ Personal qualities, then, could be liabilities, but seldom assets. By establishing a harder line in determining credit worthiness, both Dun's reporters and Shenston were acting implicitly on the assumption that individual effort and good intentions did not guarantee success in business.

The contraction of credit and accompanying demands for tangible security rendered the management and finance of debt more difficult. Mortgages registered in the land records comprise the only complete set of data available for a systematic examination of debt over time, and while these data cannot be related to other forms of debt, it is clear that mortgages did become a fact of business life with the transition to industrial capitalism. They formalized credit relationships and were a mechanism of fixed capital formation. Mortgages, then, became one strategy to sustain viable enterprises at a time of structural change and, consequently, more businessmen were indebted, and to a greater extent, in the industrial than in the commercial economy.

56. DUN, pp. 52A, 68, 114.

57. Metropolitan Toronto Library, Thomas S. Shenston Papers, Letterbook, Shenston to James Pollack, 15 Sept. 1876, p. 301.

58. *Ibid.*, "Re: Alfred Watts", pp. 714-20.

59. *Ibid.*, "Re: John Whiting, Sen'r," p. 503.

60. *Ibid.*, "Re: James Tutt," p. 171.

Table 4 Number of Selected Occupations Receiving Negative Credit Ratings, 1851-1881

	1850-1	1861	1871	1880-1
Industry:				
Blacksmiths	1 of 1	2 of 2	2 of 4	7 of 11
Founders	0 of 2	1 of 5	0 of 3	0 of 3
Jewelers	0 of 1	2 of 5	2 of 5	3 of 7
Millers	1 of 2	...	0 of 4	0 of 5
Saddlers	0 of 2	1 of 4	3 of 5	4 of 7
Shoemakers	0 of 1	6 of 10	8 of 12	7 of 13
Bakers/Confectioners . . . . .	...	1 of 3	1 of 5	3 of 10
Brewers/Distillers . . . . .	...	0 of 3	0 of 1	0 of 1
Builders/Contractors . . . . .	...	1 of 1	3 of 8	7 of 21
Cabinet makers . . . . .	...	4 of 4	0 of 3	0 of 1
Carriage makers . . . . .	...	2 of 3	0 of 4	1 of 5
Hatters . . . . .	...	1 of 2	0 of 2	0 of 2
Tailors . . . . .	...	2 of 4	2 of 3	3 of 5
Tanners . . . . .	...	0 of 3	1 of 4	0 of 2
Agri. implement mfrs . . . . .	...	...	0 of 2	0 of 3
Tinsmiths . . . . .	...	...	3 of 5	3 of 6
Painters . . . . .	...	...	0 of 1	2 of 7
All industry	23.1%	52.1%	30.5%	36.1%
Commerce:				
Druggists	2 of 2	0 of 3	0 of 4	4 of 10
Forwarders	1 of 2	...	...	...
General merchants	7 of 17	2 of 6	0 of 1	0 of 1
Grocers	3 of 4	15 of 26	22 of 47	20 of 58
Hardware merchants	0 of 1	0 of 3	0 of 3	0 of 3
Booksellers . . . . .	...	3 of 3	2 of 2	2 of 4
Dry goods merchants . . . . .	...	3 of 12	1 of 10	2 of 8
Grain merchants . . . . .	...	2 of 2	1 of 3	1 of 2
Hotel/inn keepers . . . . .	...	3 of 4	4 of 16	7 of 23
Tavern/saloon keepers . . . . .	...	3 of 4	4 of 9	1 of 5
Liquor merchants . . . . .	...	2 of 2	2 of 2	1 of 2
Clothiers . . . . .	...	...	2 of 3	1 of 2
Produce merchants . . . . .	...	...	0 of 3	0 of 1
Coal/wood merchants . . . . .	...	...	0 of 3	3 of 8
Barbers . . . . .	...	...	0 of 1	3 of 5
Furniture merchants . . . . .	...	...	0 of 1	3 of 5
Insurance agents . . . . .	...	...	1 of 1	1 of 5
All commerce	48.1%	54.8%	34.8%	28.5%

Businessmen in the commercial economy were not an overly indebted class.⁶¹ The majority in 1851, fifty-two per cent, owned real estate free from mortgage debt. Less than twenty per cent of all businessmen, only about one quarter of property owners, had mortgages against their holdings. Similarly, seven of the ten businessmen who became property owners between 1851 and 1861 were able to do so without assuming a mortgage. Few,

61. David P. Gagan's study of mortgaging in Toronto Gore Twp. has indicated that about one third of rural property owners bore indebtedness. His conclusion that "plainly, this was not a society of chronic debtors" might apply with somewhat more force to urban businessmen, who were even less indebted. "The Security of Land: Mortgaging in Toronto Gore Township, 1835-1885," in *Aspects of Nineteenth-Century Ontario: Essays Presented to James J. Talman*, eds. F.H. Armstrong, J.D. Wilson, H.A. Stevenson (Toronto: University of Toronto Press, 1974), p. 137.

it would seem, desired, or found it necessary to compromise their independence by assuming indebtedness of this form.⁶²

Debt in the commercial economy was relatively concentrated at the extremes of the business population, among the wealthiest and the poorest, and among the youngest members. (Tables 5 and 6) Among the wealthiest ten per cent of the business class were Brantford's "boomers" and speculators. In most cases this indebtedness — amounting to sixty per cent of the mortgage obligations of all businessmen in 1851 — encumbered vacant land and often supported speculative activities that were tangential to primary business concerns.

Table 5 Index of Relative Mortgage Debt by Economic Rank, 1851-1881

Economic Rank	1851-2	1861	1871	1881-1
0-39 percentile	616	694	295	86
40-79	34	73	175	94
80-89	57	62	54	119
90-100	121	102	66	96
All	100	100	100	100

Source: AO, RG 22, Brantford, Abstract Index to Deeds; Assessment Rolls.

Note: Relative mortgage indebtedness was calculated by dividing the percentage of mortgage debt owed by each group by the percentage of real wealth held by each group. The product of this was multiplied by 100 to create an index number which was less than 100 when the group was less indebted than the average in relation to the amount of wealth it held and more than 100 when relatively more indebted.

Table 6 Index of Relative Mortgage Debt by Age Group, 1851-1881

Age Group	1851-2	1861	1871	1880-1
20-29 years	401	72	129	526
30-39	110	185	249	99
40-49	29	61	74	107
50-59	30	46	45	54
60 plus	0	19	75	93
All	100	100	100	100

Source: PAC, Manuscript Census Schedules, Brantford, 1852, 1861, 1871, 1881; Abstract Index to Deeds.

For the poorest businessmen, as for those under the age of thirty, self-employment and property ownership was a strain and debt a mark of their marginality and recent embarkation in business. Yet, relative indebtedness in 1851 and 1861 diminished steadily from age cohort to age cohort, especially after the age of forty years, and in the middle range of the distribution of wealth. Nor did the assumption of indebtedness play a permanent role in the strategy of those pursuing success in the 1850s: greater indebtedness was associated with declining fortunes. Of those who grew wealthier between 1851 and 1861, only one

62. Michael B. Katz, Michael J. Doucet, and Mark J. Stern. *The Social Organization of Early Industrial Capitalism* (Cambridge, Mass.: Harvard University Press, 1982), pp. 132, 144, 156.

third became more indebted, whereas fifty-four per cent of those who maintained their wealth and nearly ninety per cent of those who lost wealth owed greater mortgage debt. (Table 7) The greater indebtedness of those who maintained or lost wealth reflected the lengths to which they had to go in order to stay in business. For some businessmen land was a savings bank and mortgages were withdrawals from their accounts. With time and business longevity, then, a man could hope to reduce his obligations and the qualifications to his independence.

Table 7 **Mobility and Mortgage Debt, 1851-1881**

Mobility	Per cent 1851-61	Increasing 1871-81	Mortgage Debt 1871-81
Up	35.6	44.2	48.6
Stable	54.5	42.3	30.2
Down	88.9	36.7	45.0
All	45.5	41.7	42.2

Note: This study has defined mobility in relative terms: those businessmen who rose to a higher decile in the distribution of wealth within the business population were defined as being upwardly mobile. Conversely those who fell to a lower decile were considered downwardly mobile.

This situation changed after the crash of 1857. The rate of property ownership fell, and mortgage indebtedness grew so that half of land owners in 1861 and three-fifths in 1871 carried mortgages against their property. The total value of their mortgages tripled from eighty thousand dollars to a quarter of a million dollars. Significantly, more men were obligated for smaller sums suggesting that the threshold of creditor tolerance had been lowered and that the strain of sustaining self-employment forced men to utilize all their assets. (Table 8) Moreover, its concentration shifted. Most affected were men who earlier had avoided indebtedness, those in the middle range of the distribution of wealth, men in their thirties and forties, and craft producers. Absolutely and in relation to the value of their real estate, the indebtedness of men in the middle range of the distribution of wealth — in the fortieth to the seventy-ninth percentile — rose dramatically. In 1851 they had been responsible for just ten per cent of all debt and eighteen per cent in 1861, but by 1871 they owed fifty per cent. Similarly, debt entangled more and more tradesmen as the rate of indebtedness in the industrial sector rose from twenty-two per cent of real property owners in 1851 to fifty-nine per cent in 1861. Moreover, on the average this indebtedness was for small amounts. These were the men who had typified the ideal of the independent men, married with a family and self-employed in a small but solid way.

Table 8 **Mortgage Indebtedness of Businessmen, 1851-1880**

	1851-2	1861	1871	1880-1
Average mortgage debt (\$) . . .	2,253	2,724	2,132	3,830
Median mortgage debt (\$) . . .	1,020	860	1,000	2,000
Total mortgage debt (\$)	81,120	250,640	253,800	398,380
Property owners in debt (%) . . .	26.5	51.1	58.6	48.4
Businessmen in debt (%)	18.8	30.0	35.3	29.3
N of debtors	36	92	119	104

For them, no longer was mortgage debt a temporary condition associated with entrance to and early years in business. Rather it became a necessity for staying in business. Indeed, the relationship between debt and business longevity — defined as persistent self-employment for more than ten years — changed with industrialization. In the 1860s and 1870s mortgage debtors had higher rates of persistence in business than in the 1850s and were more likely to remain in business for ten years than were the owners of unencumbered real estate. (Table 9) Moreover, for advancement all of a man's assets had to be in play and at risk. By 1880 nearly half of the self-employed property owners who grew wealthier fell deeper in debt. On the other hand, those property owners who lost money in business were less likely than they had been in the 1850s to go deeper into debt and more likely to give up their real estate. Thus, land was increasingly another form of business capital rather than a repository for business profits.

Table 9 Rates of Persistence in Business for Mortgage Indebted and Unindebted Property Owners, 1851-1881 (in per cent)

	1851-61	1861-71	1871-81
Debtors	44.4	60.0	60.8
Non-debtors	49.0	43.0	52.3
All	47.8	50.3	56.5

Mortgages appeared more important as instruments of capital formation in the 1870s. Despite a decline of ten per cent in the relative size of the indebted business population to just under half of all property owners, total indebtedness grew by fifty-seven per cent from 1871 to 1881 to nearly four hundred thousand dollars. Two factors produced this: first, the use of mortgages to finance factory expansion; and second, the doubling of commercial debt. (Table 10) In both instances, this was due to larger mortgages being carried by the wealthiest businessmen. More than half of the total mortgage debt was owed by the wealthiest ten per cent. This was not a return to the pattern of the 1850s, however, since borrowing does not appear to have accompanied significant speculation.

Table 10 Value of Mortgage Debt by Economic Sector, 1851-1881 (in Dollars)

Economic sector	1851-2	1861	1871	1880-1
Industry	50,640	163,630	150,560	206,440
Commerce	30,480	87,010	91,840	191,940

The industrial sector always bore more of the mortgage debt of the business population. Yet, in the commercial economy the increase in the amount of mortgage debt did not finance the growth of existing industries, rather it supported more industries. Businessmen in the largest industrial enterprises bore less average debt in 1861 than in 1851. (Table 11) The total debt of the iron founding industry increased from forty-four thousand to sixty-eight thousand dollars over these ten years, while the average debt of iron founders declined from twenty-two hundred dollars to fourteen hundred dollars. In the industrial economy, debt financed the expansion of existing productive capacity. The average debt of carriage makers rose from only four hundred dollars in 1861 to nearly fourteen thousand in 1871 and five thousand in 1881. Their ability to carry this amount of debt and to retire

nearly two-thirds of it suggested the profits that could be realized by increasing the scale of production. Likewise, the mortgage debt of the average iron founder increased from fourteen hundred dollars in 1861 to six thousand in 1871 to twelve thousand in 1881. In total, the mortgage debt of those engaged in production in Brantford in 1881 equalled about twenty per cent of all capital invested in manufacturing.

Table 11 Average Value of Mortgage Debt by Selected Occupations, 1851-1881 (in Dollars)

Occupation	1851-2	1861	1871	1880-1
Industry:				
Builder/contractor	680	730	1,464	2,031
Carpenter	600	554	590	760
Miller	8,280	140	3,063	9,970
Iron founder	2,200	1,352	6,388	11,940
Shoemaker	350	600	630	450
Carriage maker	1,080	405	13,888	4,950
Blacksmith	1,200	...	...	890
Tinsmith . . . . .	...	900	...	1,467
Tanner . . . . .	...	3,000	2,480	2,550
Hatter . . . . .	...	870	1,150	...
Painter . . . . .	...	1,800	445	3,324
Jeweler/watchmaker . . . . .	...	1,563	5,700	...
Commerce:				
Grocer	904	3,221	1,831	3,480
Druggist	160	140	1,975	...
Hotel keeper	96	2,588	783	6,876
Tavern keeper	160	250	3,090	...
Boardinghouse keeper . . . . .	...	700	1,633	...
Dry goods merchant . . . . .	...	3,621	2,174	6,517
Insurance agent . . . . .	...	...	775	3,400
Auctioneer . . . . .	...	...	950	3,280
Grain merchant . . . . .	...	...	450	3,010
Milk dealer . . . . .	...	...	985	490

Mortgages were similarly a mechanism of capital formation in the commercial sector. They financed the expansion of distributive capacity and office space and secured the consignment of inventories. The very rapid increase in commercial debt, which doubled from 1871 to 1881, ought to be interpreted in conjunction with the enhanced credit ratings of men in commercial enterprises as an indication of the structural change in business. Commerce was, in terms of numbers of new businesses at least, the new growth area of business opportunity. During the 1870s — at the same time as industrial enterprises were declining in number by attrition — the commercial sector was growing at a more rapid rate than the city's population. Until 1871 more than half of all businessmen were engaged in industrial production; but by 1881 sixty per cent were in commercial or service businesses. New and more specialized kinds of commercial ventures, many involving the retail or wholesale of goods factory produced in Brantford, accounted for one quarter of all, and one half of the commercial, enterprises opened in the 1870s. The result was that by 1881 the retail merchant had displaced the craft producer as the typical Brantford small businessman.

By the 1870s, then, mortgage indebtedness was a fact of business life. It provided not only the security that was essential for credit, but it also mobilized capital for investment

in the expansion of both industrial and commercial enterprises. Moreover, debt ceased to be associated as in the commercial economy with a temporarily compromised independence to be reduced with business longevity. In consequence, land, a mark of social respectability a short decade or so before, was rendered merely another commodity to be figured into the calculation of economic collateral.

Increasing mortgage indebtedness in the 1870s marked the decline of the role model of the businessman that had typified the commercial economy. Self-employment and independence were not equivalent because of the necessity of indebtedness for a business career. With the transition to industrial capitalism, no longer was the businessman "the true man illustrating a particular condition in life" and no longer was character consistent with that condition a significant criterion in obtaining credit. That such should ever have been the case may seem somewhat romantic. But, as E.P. Thompson has cautioned, "it is difficult to imagine the moral assumptions of another social configuration." It is too easy to impute calculations of business rationality in the strict economic terms we now expect of entrepreneurs to men whose moral assumptions rested on a different firmament. Not only did "the new political economy of the free market", as Thompson has argued, "breakdown the old moral economy of provision"⁶³, it also supplanted the values of petty enterprise. These values comprised another moral economy, a system of socialized individualism, in which character, responsibility and independence could be sustained and translated into self-employment through mutual self-help.

Acceptance of this morality by merchants and credit agencies when dealing with petty enterprise and to varying degrees with mercantile enterprise demonstrated one side of what Elizabeth Fox-Genovese and Eugene Genovese have termed the "Janus face of merchant capital": its tendency to accommodate to existing social relations. Its other side, "the transformative abilities of exchange relations", appeared in the contraction of credit through the 1860s and 1870s.⁶⁴ The inability of the petty proprietor to stay in business was a condition necessary for the transition to industrial capitalism. It may of course be attributed to a number of factors, but not the least was the reluctance to credit him. That he had not been so disadvantaged in the past reveals that change involved an element of discretion. The irony, of course, was that the collapse of the commercial economy after 1857 could be attributed more to the unexpected failure of the major merchants and their various promotions than to the misfortunes of the employed artisan and small shopkeeper. Yet, the latter, far more than the former suffered from the re-evaluation of risk in terms of pecuniary strength not character.

63. E.P. Thompson, "The Moral Economy of the English Crowd in the Eighteenth Century," *Past and Present* 50 (Feb. 1971), p. 131.

64. Elizabeth Fox-Genovese and Eugene Genovese, *Fruits of Merchant Capital: Slavery and Bourgeois Property in the Rise and Expansion of Capitalism* (New York: Oxford University Press, 1983), pp. 5-8, 15, 29, 35, 75-6.