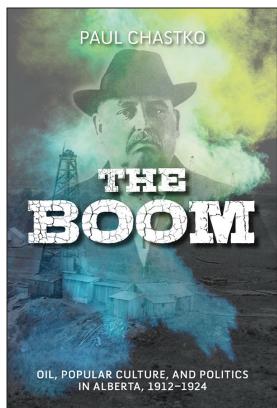




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## THE BOOM: OIL, POPULAR CULTURE, AND POLITICS IN ALBERTA, 1912-1

by Paul Chastko

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# Reforming Self-Regulation: Taming the Brokers and the Calgary Stock Exchange

*I am afraid that the history of all other oil fields is going to be repeated in Calgary, namely, that the small stockholder is going to get “cold feet” and lose out and the big interests will accumulate all the profits in the years that are to come.*

—Anonymous Oil Company Official  
*The Calgary Daily Herald*  
May 29, 1915

*The oil men are still as busy as bees, thus accounting for so many of us getting stung.*

—Bob Edwards  
*Calgary Eye Opener*  
June 12, 1915

By autumn 1914, as the titanic battles on the frontiers unfolded between the great powers, a cold fear gripped many in Calgary that the Turner Valley field would languish, underdeveloped, given the growing weariness of investors with “Calgary field.” Weeks before, *The Guardian* (London) complained that “only three classes of people are reaping a harvest” from Calgary’s boom: geologists, earning extravagant fees for their expert opinion on the value of leases; promoters who sold stock; and the printers, who worked around the clock producing prospectuses and stock certificates.<sup>1</sup> Increasingly, informed opinion in London regarded Dingman’s success as an aberration and made

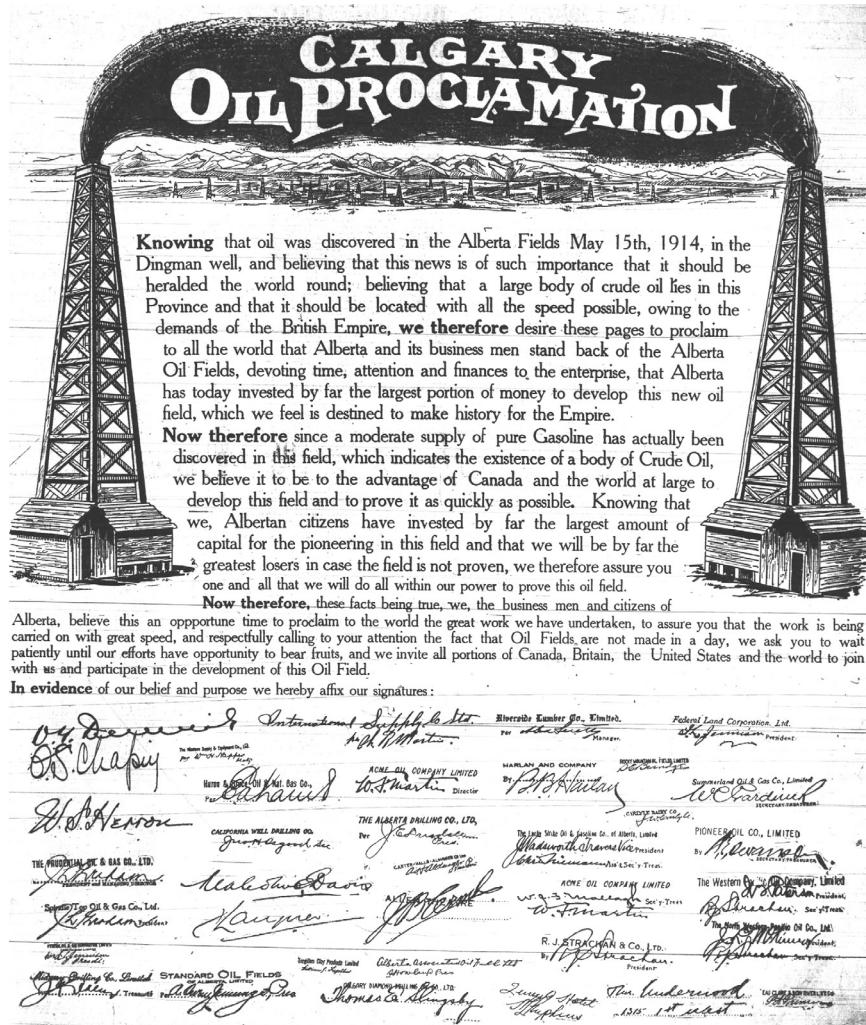


Figure 8-1 “Calgary Oil Proclamation”

Thirty-five signatures appear below the Calgary Oil Proclamation. Two noteworthy absences are any signatures from any level of government and that of George E. Buck of Black Diamond Oil Fields. (University of Calgary Libraries and Cultural Resources CU1702268)

their investment decisions accordingly. The realization prompted thirty-five leading figures in Calgary's oil patch—including Dingman, Herron, and Devenish—together with *The Morning Albertan*, which devoted an entire special section to a retrospective summary of developments in Turner Valley and the boom—to issue the Calgary Oil Proclamation. Written in the form of a resolution, the document declared that after the Dingman well discovered oil in Alberta on May 14, 1914, the people of Alberta joined together to spread the news of this epochal moment. Community and industry leaders "desire these pages to proclaim to all the world that Alberta and its businessmen stand back of the Alberta Oil Fields, devoting time, attention and finances to the enterprise." The proof of this commitment lay in the incredible allocation of resources, time, and capital that Albertans devoted to the effort. "Knowing that we, Albertan citizens have invested by far the largest amount of capital for the pioneering in this field and that we will be by far the greatest losers in case the field is not proven, we therefore assure you one and all that we will do all within our power to prove this oil field." The proclamation concluded that "Oil Fields are not made in a day," but invited "all portions of Canada, Britain, the United States and the world to join with us and participate in the development of this Oil Field."<sup>2</sup> Conspicuous by its absence from the proclamation's signers was representation of government at any level.

The political scientist Samuel Huntington observed that as a society becomes more complex, it requires more institutions to run it. The same could be said for the petroleum industry. Political scientist Keith Brownsey wrote that Alberta's multi-level regulatory system for its petroleum industry emerged out of the "constitutional, legal and political environment" that surrounds it. Shaped by competing federal and provincial visions and overlaid with rules, processes, and obligations established by municipal and international authorities, the result "is a multilevel regulatory structure which is complex and at times confusing and contradictory."<sup>3</sup> While the regulatory system of the early twentieth century lacked the robustness and sophistication of later iterations, industry promoters and government officials in 1914 would be able to easily relate to Brownsey's characterization of the problems and perils of a multi-level regulatory system that, in turn, created a new dynamic environment for petroleum development. In a 2006 article in *Foreign Affairs*, the eminent historian of the world petroleum industry and respected energy analyst, Daniel Yergin, suggested that development of petroleum supplies remain contingent on geology—is the oil there?—as well as assessments of "what happens above ground namely, international affairs, politics, decision-making by governments, and energy investment and new technological

development,”<sup>4</sup> Yergin’s broader point that is that above-ground issues, such as regulatory environment, tax structure, royalties, availability of labour, and the presence of necessary infrastructure (refineries and transportation and distribution networks), exert a tremendous influence over which oil fields are developed and which are not. The repercussions of the “above-ground” problems created by the circus-like atmosphere of first Turner Valley boom lasted longer than the boom itself, tainting the province’s reputation as a good place to invest money and prompting a reckoning of sorts regarding the private and public sectors’ view of the proper roles of different levels of government and their roles and responsibilities for the regulation of the petroleum industry. In 1914, most Albertans necessarily believed that the government’s role in the economy was sharply limited to upholding private property, preserving individual initiative, and facilitating economic growth. There were several ideological and structural reasons for this. A small population and limited tax base made the province dependent on outside investors. When combined with local boosterism, as historians Donald Wetherell and Irene Kmet concluded, this limited government as the means of facilitating natural resource development.<sup>5</sup> This was reinforced by the courts. Time and again, in a number of early cases stemming from the abuses of 1914, judges adhered to the view that government power was sharply limited. Indeed, in 1915, in striking down legislation designed to give the provincial government a modest oversight role, the Alberta Court of Appeal explicitly ruled that the orders-in-council could “in no way” restrict “the expenses of management, investment of funds, nature of properties or claims held, the manner and cost of any stock sale or other disposal of stock, and other allied questions.” It was plain to Justice Stewart that when provincial legislation “proposed to institute an ‘investigation into the affairs’ of a particular company, . . . the authority given by the statute is exceeded.”<sup>6</sup> But out of growing necessity this view slowly evolved because of the “other” development of 1914, the outbreak of the Great War. The experience of wartime mobilization and the government’s massive intrusion into the lives of its citizens with policies related to conscription, internment, censorship, and labour relations helped change popular attitudes and altered expectations about what the public could expect from government.<sup>7</sup>

Despite the pressures generated by wartime mobilization and the financial constraints on spending, the provincial government knew it must confront the reality of rampant fraud and reckless stock market speculation, especially since most of the money spent by investors simply disappeared into the pockets of opportunists, rogues, and charlatans rather than developing the oil field. Unofficial estimates suggested during the brief boom of 1914,

between \$3 million and \$4 million (\$80–\$106 million, adjusted for inflation) flowed into the province, ostensibly for exploration and development. But would-be oil promoters quickly grasped that it was far quicker to sell stock than drill for oil. The editors of the *Edmonton Journal* estimated that only one-third of the money invested developed the oilfield, either by securing acreage or drilling wells, although the paper allowed that this figure might prove overly optimistic.<sup>8</sup>

Developments in 1914–15 raised concerns for investors about both the geology of the Calgary field and its social, economic, political, and legal contexts. By early 1915, despite ongoing drilling by as many as twenty-six different outfits, the main body of oil remained untapped. From the very first show in October 1913, skeptics dismissed Dingman #1 as a “freak,” and argued that the naphtha it produced came from a lateral seepage from a large body of crude oil lying further toward the mountains and was unlikely to be repeated.<sup>9</sup>

The field’s erstwhile champion, E.H. Cunningham Craig, reluctantly acknowledged that long-time critics of Turner Valley’s broken formation might have a point. Speaking before the Institution of Petroleum Technologists in London, on January 22, 1915, Cunningham Craig conceded that “there have been many criticisms levelled at [the Calgary field] by persons either ill-informed or ‘wise after the event,’” “The wisest course,” concluded Cunningham Craig, “is not to hasten or condemn the field, but to wait silently for each piece of authentic information that is brought to light.”<sup>10</sup> To be sure, other wells continued drilling—forty-five derricks now dotted the landscape of Turner Valley—but only five (Dingman #1 and #2, Southern Alberta, Moose Mountain, and the Lineham) had encountered some modest success.<sup>11</sup> Far more common, however, were announcements like the one by Mowbray Berkeley, head of the British Alberta Oil Company (formerly the Mowbray Berkeley Syndicate) on May 6 that it was abandoning its well after reaching a depth of 3,145 feet and encountering “tremendous difficulties.” Unlike many others, though, Berkeley stubbornly announced the company was not abandoning the Calgary field forever; it was, however, acting on the advice of its geological consultant, none other than E.H. Cunningham Craig, and temporarily suspending operations.<sup>12</sup>

If at all possible, assessments of the above-ground problems were more dire. The elephant in the room remained the parade of gluttony and excess of 1914. As the *Toronto Globe* pointed out, “the disgraceful and discreditable gamble in oil territory in Calgary” during the boom nearly destroyed all investor confidence in Alberta oil altogether. “Great sums of money which

should have been devoted to sinking test wells never got beyond the pockets of the shrewd manipulators of the boom.”<sup>13</sup> Never far behind, though, were pointed questions about the Sifton government’s lax regulatory environment. One letter writer to the *Herald* complained that the provincial oil industry “is in a deplorable state, and I claim that the Alberta government is to blame for it all.” Marked by confusion, contradiction, and laxity, provincial laws were, at best, inadequate. After detailing a litany of concessions granted to promoters (not all of which was entirely accurate), the writer concluded members of the Alberta legislature were not governing “for the interest and protection of the people” but were, rather, looking out for “a few promoters and grafters.” The Companies Act, they railed, “looks like a wilful and deliberate act to aid and abet unscrupulous promoters and grafters to prey on the public.” As a result, oil stock prices were “ridiculously low” and the field did not “have the confidence and support of outside capital.” Turner Valley languished as “a laughingstock.”<sup>14</sup>

Indeed, the boom revealed several shortcomings in the province’s regulatory regime. Two of the most prominent were the lackadaisical and haphazard regulation of brokers and stock exchanges and the lack of overt consumer protections. Provincial and municipal authorities shared responsibility for regulating the activities of stock exchanges and brokers. For example, as soon as it became clear that a few companies would not drill a well, the public expected either the city or province to act and shut down the company or prevent the sale of more stock. During the boom, city officials claimed their hands were tied; regulation of the operations of brokers fell under provincial jurisdiction. But the province relied on local police for enforcement, and the parlous state of provincial regulation and oversight meant the province lacked the capacity to enact changes even as it claimed the authority to do so. Furthermore, businesses adamantly refused to concede even the most basic reforms without a fight. As amply illustrated in 1915 when the City of Calgary altered licensing provisions for brokers and exchanges, it could not compel either the Calgary Stock Exchange or the unchartered exchanges to willingly adopt measures intended for the good of the whole industry. The exchanges fiercely defended their independence, maintaining that so long as they abided by the terms of their corporate charter and the standards established by the exchange, consumers had no further recourse.<sup>15</sup>

Meanwhile, as the effects of the economic downturn persisted into 1915, the provincial attorney general’s office faced immense pressure from investors scalded by unscrupulous companies to “do something.” The *Herald*’s editorial page bitterly observed that after an October storm stranded several oil men

out in the fields for a few days “they should now have some appreciation of the permanent situation of many hundreds of Calgary people who have invested in oil.”<sup>16</sup> Surveying the wreckage, Eleanor Luxton remembered that the boom died out just as quickly as it appeared. But wells did not produce enough oil to sustain the industry. “Hundreds of people were poor overnight,” she recalled. “Worthless oil stock was held for years, many firms failed.”<sup>17</sup>

Letters and telegrams from across North America pleaded for the attorney general to get money back, revoke the provincial charters of disreputable companies, or prosecute offenders. Tempting as it might have been to blame all the boom’s problems on the actions of a few bad actors and legal technicalities that enabled unscrupulous operators to escape without consequences, provincial authorities took a hard look at what happened. The Sifton government turned away, slowly, and incrementally, from self-regulation and difficult-to-enforce fraud statutes to exercise greater oversight on the emerging oil and gas industry. Part of the solution included passing new legislation in two stages that established greater transparency and affirmed the government’s responsibility to protect consumers. In 1915, the Sifton government created the Public Utilities Commission. Similar commissions already existed in several Canadian provinces prior to 1914, including Ontario, Manitoba, and Saskatchewan. The next year, the province passed the “Act to Regulate the Sale of Shares, Bonds and Other Securities of Companies,” better known as the Sale of Shares Act (1916). Taken together, these measures asserted the right of the provincial government to investigate fraudulent companies and established the means to assist authorities with the detection and prosecution of lawbreakers.

Just as the July Crisis reached its crescendo in the overlapping declarations of war at the end of that month and into early August 1914, participants in Alberta’s oil boom began turning on one another. Speculators began to realize that the production of oil from Turner Valley remained far too modest to justify the amount of oil paper on the market, while the Calgary Stock Exchange tried to come to grips with mounting scandals, further discrediting the oil industry in the eyes of many. Meanwhile, *The Financial Post* noted geologist E.H. Cunningham Craig’s growing exasperation with the damage wrought to Alberta’s reputation by inexperienced oil companies. In October 1914 he noted that there were thirty-six companies engaged in drilling in Alberta and another twenty-five getting ready to drill. “Of the combined number less than half are likely to meet with any success, because they are drilling in the wrong places. As a matter of fact, oil has yet to be struck. There are three wells which have struck a high grade of gasoline, but this does not

necessarily mean that oil will be found in that vicinity.” Measuring his words carefully, Cunningham Craig concluded, “The future of the field is problematical, but in a few weeks more definite information may be forthcoming.”<sup>18</sup>

Angry shareholders filed lawsuits against company officials who remained in Calgary, resulting in a sharp increase in the number of oil industry-related fraud cases. Prior to the boom, between 1909 and 1913, Calgary’s Magistrate’s Court saw an average of six fraud cases a year. But in 1914, the number climbed to forty-four, with an additional thirty-four filed in 1915. In one case heard in early January 1915, George E. Hayes, an engineer and geologist, received one hundred dollars from William Williams and other clients who believed the funds would cover expenses on a trip to England to secure investment capital for an oil company. But when Williams learned Hayes never made the voyage, he sought to recoup his money. In court, Hayes pointed to the fine print of his correspondence that revealed he received payment for examining certain oil leases and could, therefore, spend the money as he saw fit. There were other cases, too. Another broker used the terms of the CSE’s charter to have criminal charges of theft against him dismissed after he failed to make an investment because he ran “short.” But the broker claimed immunity from criminal charges because his actions were consistent with the terms of the CSE’s charter. The case prompted Magistrate Sanders to grumble that brokers enjoyed the protection of the exchanges but nothing protected consumers. Sanders then expressed the wish that some arrangement or organization could provide the public better protection.<sup>19</sup>

Britain’s imminent declaration of war prompted a request from the Calgary Board of Trade that Calgary’s stock exchanges briefly suspend operations on August 3, 1914; eight of Calgary’s thirteen stock exchanges complied.<sup>20</sup> The Calgary Stock Exchange resumed operations at eleven o’clock on the morning of August 19, 1914.<sup>21</sup> Over the next few months, a series of mergers winnowed the number of exchanges operating in the city from thirteen down to six. The first wave of mergers occurred by September 1914 when six oil stock exchanges representing approximately 200 brokers banded together to form the Calgary General Stock Exchange. Four larger exchanges—the Oil and Stock Exchange, the Standard Exchange, the Calgary Stock Exchange, and the General Stock Exchange—plus two smaller ones, the King George Exchange (run out of the King George hotel) and the Open Air Exchange. “This place of barter,” wrote *The Vancouver Daily World*, “is one of the most unique exchanges in the business.” Known for holding night session that attracted large crowds, the Open Air Exchange granted membership to all who attended their sessions.<sup>22</sup>

The Calgary Stock Exchange merged with some of the smaller exchanges operating in Calgary and coped with the growing pains of a new exchange in challenging circumstances. As investment capital grew scarce, the directors of the CSE addressed a string of “irregularities” in its operations, as brokers attempted to eke out a living in a tough economic environment, illustrating the difficulties of self-regulation when all members did not necessarily share the same incentive to abide by the rules. In one instance, the board of directors intervened in one questionable transaction when a broker immediately cashed the cheques of the purchasing party even though the sale fell through. When questioned by the board, the broker replied he simply wanted to collect his commission.<sup>23</sup> By December 1914, the directors had amended the exchange’s bylaws, giving themselves the authority to cancel any transaction they suspected was “irregular, unprofessional, or fraudulent.”<sup>24</sup>

Largely behind closed doors, the directors of the Calgary Stock Exchange wrestled with the thorny issue of enforcing its bylaws without damaging its public credibility. Occasionally, issues made their way into the public realm and caused some embarrassment to the CSE. One such instance became public early in 1915 when the *Herald* questioned fluctuations in the price of Moose Mountain and suggested that a small number of brokers were deliberately manipulating prices. “The chief people to profit by such unwarranted activity are the stockbrokers and one can imagine that if they had only two or three oil stocks to handle on the same basis, they might make quite a ‘respectable’ living out of the public.” The paper asked pointed questions. Did the officers of the CSE “endorse and approve” the handling of stocks on the exchange? Did they approve of the “oil stock gambling” prevailing under current conditions? Were they ignorant of the “bull and bear movements” of Moose Mountain stock? Most importantly, “Do they seriously believe that it is in the interests of this city and country that gambling of the character recently carried on should be continued, and extended to the stocks of other oil companies under present business conditions?”<sup>25</sup>

Moose Mountain shares remained in the news for all the wrong reasons through the spring when a member of the CSE repurchased a certificate for ten shares of Moose Mountain only to find the certificate’s value altered in the interim. When first purchased months earlier, the certificate represented one share, not the ten it now proclaimed. The CSE’s board of directors first became aware of the problem on March 3, 1915, but by March 5, the *Albertan* revealed that “numerous” fraudulent Moose Mountain certificates circulated, so much so that “there are few members of the Calgary Stock Exchange who are not possessed of these bogus shares, and are out of pocket in consequence.”<sup>26</sup>

Facing difficult questions regarding its integrity, the CSE's directors closed ranks and treated the problem as an internal matter. The directors passed a resolution placing responsibility for restitution with the member "who found the certificates in the clearing service on the day on which the raising was discovered . . . until such time as the certificates could be traced back to the member from whom they originally came and the responsibility fixed on him."<sup>27</sup> By the time of the next board meeting on March 17, 1915, with the identity of the perpetrator in hand, the directors gave the still unnamed broker of the fraud forty-eight hours to "make good" but made no mention of what would happen if he did not.<sup>28</sup>

Ever an accurate barometer of public attitudes, commentary in Bob Edward's *Eye Opener* reflected the seismic shifts in opinion regarding the oil boom and its acolytes—the associated promoters, boosters, and brokers. In May 1914, despite his well-known reticence about advertising products and services he could not vouch for, the *Eye Opener* published advertisements from oil companies like Black Diamond, Western Canada Oil Company, and Rocky Mountain Oil Fields. Edwards self-consciously referred to his idiosyncratic way of selecting the ads by including a "personal guarantee as to the soundness and integrity of every oil company whose ad we publish. Of course, we don't guarantee the oil, but simply the honesty and good faith of the company." A few columns over, Edwards predicted "the Alberta oil fields will probably equal if they do not eventually surpass, those of Pennsylvania and California."<sup>29</sup> But his optimism soon vanished and before the end of summer Edwards fully turned against the new industry as he watched the machinations of various groups—the oil companies, the stock exchanges, promoters, and other self-appointed experts—with growing disgust. Of all the groups involved in the boom, Edwards reserved a particular disdain for the role of the stockbrokers. In the early autumn of 1914, as the Imperial German Navy placed mines in the open sea without regard for the impact it would have on neutral merchant vessels, Edwards claimed that a lack of imagination rather than unwillingness explained why oil brokers refrained from selling shares in the mines now menacing international trade routes.<sup>30</sup>

Edwards's most savage piece about brokers appeared on July 3, 1915, when he wrote that the major figures and personalities from Alberta's oil boom could compel Kaiser Wilhelm II's atonement for the Dinant Massacre of 1914 that resulted in the deaths of 647 Belgian civilians, including women and children. Written as an open letter to the German Kaiser, Edwards began by saying that boiling him in oil was too merciful for the atrocities committed by Germany's armed forces. Instead, Edwards explained to the Kaiser that he

could expect introductions to “groups of oil men, all of high business repute in the city, who will proceed to gnaw their way into the Hohenzollern fortune by selling you Monarch shares at \$20.00, Alberta Petroleum Consolidated at \$10.00, Dingman at \$75.00, Black Diamond at \$9.00 and so on.” The punishment would continue on the floor of the Calgary Stock Exchange, where the Kaiser would “study the blackboard.” At night, a “talkative oil expert (preferably [Clarence A.] Owens)” would “deliver a learned and involved disquisition on anticlines, Dakota sands, Claggett-Benton shale, faulty formations, broken bits, inadequate casing and wet gas. If this does not settle accounts for the Dinant atrocities, nothing will.”<sup>31</sup>

The Companies Ordinances of the Northwest Territories (1901) served as the main piece of legislation regulating the operations of natural resource companies in Alberta during the boom. It facilitated the acquisition, management, development, and sale of mines, minerals, and petroleum properties in the province as well as claiming jurisdiction over the various stock exchanges operating within the province.<sup>32</sup> Responsibility for enforcement fell to the attorney general’s office, which received and investigated complaints from customers and investors. Records in the attorney general’s office reveal that it handled minor issues formally or informally, depending on the severity of the complaint. In some cases, it contacted the company by phone or letter to find a solution directly. More serious accusations that warranted formal investigation by the department to determine if criminal proceedings were necessary also included an assessment about the likelihood that departmental action would yield desirable outcomes. Acting Attorney General G.P.O. Fenwick provided the clearest expression of this policy in response to complaints lodged against Bonnie Brae Coal Company by Dr. Thomas Ritchie of Cochrane.<sup>33</sup>

After discovering a coal seam on his property, Ritchie sold the mineral rights to Arthur Phillips, who later formed the Bonnie Brae company to exploit the coal deposit. Shortly after Bonnie Brae began operations, Ritchie registered several complaints against the company with the attorney general’s office, typical of most shareholder complaints levelled against oil companies, including failing to issue a prospectus, publication of misleading circulars to sell stock, and failure to obtain a company charter prior to beginning resource extraction. Deputy Attorney General J.D. Hunt initiated an investigation of Bonnie Brae. In a memorandum dated April 22, 1914, Fenwick agreed there were “undoubtedly irregularities and violations of the Companies Ordinance” but argued that the department should avoid acting for a variety of reasons and proceeded to lay them out in systematic fashion. First, the

attorney general's office did not have unlimited funds, necessarily meaning that it selected cases carefully. Fenwick pointed out that, in this case, a mitigating factor was that the company "is still in pretty good shape." However, the auditor's report prepared in conjunction with the investigation concluded pursuing a case would likely result in Bonnie Brae's bankruptcy, harming investors further as "share-holders would not get a cent on the dollar now." On the other hand, allowing the company to reorganize as a new venture would protect both the rights and the capital put in the company by investors. Referencing Ritchie's original complaint, which argued the case could become a "cause celebre" among the public, thus facilitating a case, Fenwick disagreed. "The penalties under the Joint Stock Companies Ordinance are recoverable on a summary conviction and the case would, therefore, be tried before a Justice of the Peace." Fenwick advised that the attorney general's office would become involved in the matter "with the view of having the guilty parties settle up." The memorandum closed with the observation that the department might consider a prosecution "if there are poor people who have been defrauded of any considerable amount who will not benefit from the re-organization of the company." Otherwise, Fenwick advised "not to touch it."<sup>34</sup>

Fenwick's memo illustrates the fundamental dilemma the attorney general's office faced in responding to the challenge of the oil boom. The limited budget and finite capacity to conduct investigations necessitated a selective approach. In the case of the newly chartered oil companies, the department's greatest danger lay in miscalculating the short-term and long-term consequences of taking action. Acting too soon ran the risk of depriving investors and businesses of a chance of recouping some or all of their investment. Waiting too long, on the other hand, could result in nothing being salvageable. Furthermore, the attorney general's office dealt with myriad problems simultaneously, from companies operating without a charter to failing to provide share certificates to investors. This latter problem was particularly vexing during the boom because it left shareholders in a kind of investment purgatory with no means of getting their money out of the investment if their circumstances changed (e.g., unemployment) or if they wanted to pursue a different investment opportunity. Other propositions were outright scams designed to defraud unwary investors and fully deserving of prosecution.

Undoubtedly, the province's interest rested at establishing and nurturing the oil industry so that it could provide well-paying jobs for workers and revenues for government, and diversify the provincial economy. But it is equally true that, when the government faced voters to secure another mandate at the ballot box, they needed to prove they were good stewards of the public

interest. After all, people, not industries, vote. Further complicating matters is the fact that the province was not wholly responsible for the laws and regulations governing petroleum development. Until 1930, all the mineral rights and leases in the province remained under the control and regulations established by the Dominion government. While the province could regulate businesses operating within its jurisdiction, federal regulations sometimes influenced what policy prescriptions were available to the provincial government. This certainly was the case in 1914 as the attorney general's office weighed its potential responses to reports of corporate malfeasance. Federal Orders in Council (1912) established regulations for petroleum and natural gas rights on Crown lands in effect at the time of the boom. Section 14 of the regulations stipulated that one year after acquiring the petroleum rights to a property, leaseholders had to prove they had "machinery and equipment suitable for carrying on prospecting operations." Lessees also had to provide evidence of "the character, quantity and value of the machinery installed." If the leaseholder did not install machinery or provide adequate evidence, "the lease shall be subject to cancellation."<sup>35</sup>

The intent of the policy was to stimulate development of the country's petroleum reserves as expeditiously as possible as well as preventing the holding of vast areas by a few wealthy landholders. In theory, the reasoning behind federal policies was unassailable and would likely provide for the timely development of petroleum resources. But they proved wanting in the reality of the provincial oil boom of 1913–14 and created a huge headache for the provincial government. By the early autumn of 1914, Canada was at war against the Central Powers in Europe and the first anniversary of the October 1913 strike of petroleum condensates at Dingman #1 approached. When William Elder brought word of a small quantity of white oil in the Dingman well, it had touched off the first speculative wave of lease and mineral rights purchases around the city of Calgary and led to the incorporation of several oil companies. Nearly a year later, rather than celebrate the anniversary of this discovery, its arrival provoked consternation as concerned investors, editorial writers, and businesses realized that investors who acquired acreage in October 1913 were only weeks away from losing their investments because they could not meet the development criteria outlined in section 14.

In some cases, the inability to prove that enough equipment was on the land was purely academic because the promoters of the so-called "oil company" only attempted to sell stock and never intended to drill for oil. But what about operators who could not secure adequate financing, a rig, or other equipment in the summer of 1914? Or companies run by people who were

new to the petroleum industry and simply in over their heads? Should they have their provincial charters revoked? Compounding the problem for the provincial attorney general's office was that, as the use of Pinkerton operatives in the summer of 1914 revealed, given the large number of companies created, the province lacked a competent investigatory body of its own to distinguish fraudulent intent from incompetence.

Thus, while some consumers associated "doing something" with a vigorous prosecution of corporate offenders, for others, "doing something" meant recovering investments or intervening with the federal government via relaxed enforcement of section 14. Summarizing the issue, an editorial in the *Herald* on August 8, 1914, concluded that the scales between private sector interests and the public were dangerously out of balance. "It may well be that from the experience gained in the past six months, it would be advisable in some cases to strictly enforce the regulations and have the oil rights revert to the crown, not to be disposed of again except under revised regulation." On the other hand, there were "doubtless numerous instances" where enforcing the letter of the regulations would cause real hardship to people who had worked "honestly" toward complying with the terms. The most elegant solution to the problem, argued the *Herald*, was for the government to hold an inquiry to balance the interests of leaseholders and the public. Left unstated was the reality that investigating complaints too vigorously might inhibit further development if the Dominion government used the results to terminate leases. Faced with an unpalatable choice, the provincial attorney general's office kicked the can as far down the road as possible. Federal petroleum leases provided a full calendar year for leaseholders to develop their properties, and the Dominion government alone would determine what to do about extending the lease deadline. Any action taken before the leases expired would be premature.<sup>36</sup>

Part of the solution was the Sifton government's decision to put forward the Public Utilities Act in the legislature on March 22, 1915. The centerpiece of the act was the creation of a public utilities board with broad powers. While the specific details of the proposal remained known only to cabinet for the time being, many reporters assumed that the commission would have a broad mandate, including jurisdiction over public utilities and regulating the borrowing powers of urban and rural municipalities. "The act is the most far-reaching and the most important that has been under the consideration of the government for some time," reported the *Edmonton Bulletin*. The *Edmonton Journal*, on the other hand, speculated that the government had drafted the legislation on the Manitoba model wherein the commissioner,

Judge Robson, “exercises arbitrary powers.”<sup>37</sup> Meanwhile, the *Albertan* observed that the government’s signature piece of legislation for the upcoming session just barely scratched the surface with its possibilities. Pointing to the public utilities commissioner in Manitoba, the *Albertan* noted that Manitoba’s Robson “prevented wide open, wild cat speculation in worthless oil stocks there,” and “he keeps a guiding hand over the province in matters of that kind.”<sup>38</sup> Noting the government’s belated adoption of the institution, the Conservative-leaning *Herald* observed that “better late than never” is “about all one can say of most of the so-called ‘advanced’ legislation of the Sifton government.”<sup>39</sup>

Details about the proposed commission became public on March 30, 1915. The Public Utilities Act created a three-person Board of Public Utilities Commissioners appointed by the Lieutenant-Governor for a ten-year term unless removed by the Lieutenant-Governor or the legislative assembly. Conceived of as apolitical officeholders, commissioners, said MLA James R. Lowery, should be the most able people possible, “who would command the respect and confidence of all classes of people.”<sup>40</sup> Expectations were that commissioners would devote all their time to the responsibilities of the board and were explicitly forbidden from being “financially interested in any public utility in the province, nor in any device or appliance used in the business of a public utility,” which meant that they would instead be well compensated by the government. Commissioners could also be reappointed provided they did not exceed the mandatory retirement age of seventy. Meanwhile, the board’s mandate included two broad areas of responsibility. First, supervisory jurisdiction over public utilities with the power to make orders “regarding equipment, appliances, safety devices, extension of works or systems as are necessary for the safety or convenience of the public.” Second, “to inquire into the merits of any application of a local authority for permission to raise money by way of debenture or upon the security of stock, and to grant or refuse such permission.” While the original Public Utilities Act did not say anything directly about regulating the petroleum industry or exercising oversight on the sale of shares, these were precisely the powers used by the Manitoba Public Utilities Commissioner to deny permission for the flotation of Calgary oil stocks in 1914. “The list of powers and responsibilities placed in the hands of the new board covered many areas,” concluded Willie Grieve at the centennial celebration of public utility regulation in Alberta, “including functions that would not normally be included in any definition of a public utility but all of which were important at the time and shared the characteristics necessary for oversight independent from political influence and control.”<sup>41</sup> Significantly,

the Act endowed the board with “the same powers and privileges as are vested in a judge as regards the attendance and examination of witnesses, the production of books and all other documents, and the ordering of costs to be paid by any party.” The decision of the board on “any question of fact or law will be final.” Appeals to the court of appeal could only be permitted for “any question involving the jurisdiction of the board, but only by permission of a judge of the court of appeal.”<sup>42</sup>

However, greater provincial regulation of companies under the auspices of the Public Utilities Commission remained a more theoretical than actual proposition in 1915, as the legislation did not include a role for the commission in the petroleum industry. Municipal efforts, on the other hand, grappled with the problem posed by the large number of exchanges operating in Calgary. The collapse of the boom and the beginning of the war thinned the ranks of exchanges and brokers. But in early 1915, multiple exchanges still operated under provincial charters, presenting seemingly endless opportunities for mischief as investment capital continued to shrink. The combination of the need to “do something” about the exchanges and the need for city council to raise revenues to continue funding poor relief spurred attempts by city officials to rein in the exchanges by taking advantage of the city’s role in licensing brokerages. On May 10, 1915, the City of Calgary amended its earlier licensing bylaw for brokers by adopting a licence fee of \$200 for all brokerage houses in addition to the fifty-dollar individual annual licence required of all brokers, whether they belonged to an exchange or not. The bylaw further stipulated that those exchanges keep membership lists and maintain accurate records of each transaction, including the number and description of stock certificates sold, the purchase price, and the names of the buyer and seller as well those of the agents, brokers, or other persons involved in the transaction.<sup>43</sup>

Even these modest measures drew organized resistance and court challenges from Calgary’s brokerage community. One of the first cases testing the new bylaw involved J.T. Lovejoy, who claimed that he had bought out the Goldfields Oil Exchange and that the provincial charter transferred to him after the purchase. Police Chief Cuddy believed that under current laws, the exchange’s charter would transfer to the new owner but that, at a minimum, Lovejoy should have obtained a new licence from the city. In Magistrate’s Court, Lovejoy claimed he did not intend to evade the law, only to have Justice Sanders reply, “I don’t see why these charters should be carried about in one’s pocket.” Turning to the City of Calgary’s solicitor, Sanders asked, “Is there no way of limiting these oil exchanges?” The city solicitor replied that there was

not. The best that the city could do was control them by means of the new bylaw. Sanders then summoned Robert Hood, the secretary of the Calgary Stock Exchange, to see if they had a licence. When Hood replied that the Calgary Stock Exchange and the city were still in discussions, Sanders remanded Lovejoy's case. Whatever city council decided to do for the Calgary Stock Exchange would also apply to Lovejoy.<sup>44</sup>

More formidable was the challenge mounted by the Calgary Stock Exchange to the bylaw. A delegation headed by Archibald Dingman made their case before city council. Dingman compared the CSE to similar exchanges in Toronto, Winnipeg, and Vancouver and argued oil stocks were a "sideline" for the CSE; selling war bonds now constituted the bulk of its transactions. Dingman returned to more solid ground when he argued that he knew of no other Canadian city that required chartered stock exchanges to purchase a licence, and called it an unfair tax. Of the ninety-seven brokers belonging to the CSE, only forty actively traded on the floor of the exchange. Dingman's delegation did not object to the remaining fifty-seven brokers dealing from offices paying the fifty-dollar fee but believed the ones who traded on the floor should be exempt because they paid both annual and monthly membership dues to the exchange. The province established the CSE for a specific purpose, argued Dingman. "There was a very loud public complaint that one man was buying a stock for one dollar at one place and another man was paying two dollars for the same stock at the same time at another place. The exchange was established to standardize values and save the reputation of the city of Calgary throughout Canada and the United States." More to the point, Dingman argued that without the CSE conditions would be much worse. "All these oil stocks that are being dealt in are stocks of purely speculative value. None of them have any intrinsic value, for the reason that none of the companies are paying dividends on them. Therefore, whatever sales are made are on a purely speculative basis." Dingman therefore argued that the CSE's provincial charter entitled it to separate treatment from the other, unchartered, "open call" exchanges.<sup>45</sup>

But City Councillor J.S. Arnold replied that businesspeople paid a tax on their stock of goods while the stock exchange did not. Besides which, licences were the only revenue source open to the city. Thus, city council proceeded with the dual fee partly for financial reasons—responsibility for poor relief fell to municipalities—but also to tame the stock exchanges. However, enforcement proved toothless because while the city collected licence fees from both the brokers and the exchanges it could not compel either of them to close if they did not comply with the regulations. Despite the warnings of

Dingman's delegation that the dual fee might force the CSE to suspend operations, city council's legislative committee stated it could not "make any alterations in the provisions of Bylaw 1794 for the current year" and instructed Police Chief Cuddy to "rigidly enforce" its provisions. The *Herald* noted that the recommendation specifically targeted the "open call" exchanges, which did not observe the same rules as the Calgary Stock Exchange. The oil brokers took the city to court and obtained a favourable ruling from Magistrate Sanders dismissing the additional fifty-dollar fee. Council reluctantly agreed to abide the ruling by a narrow vote of six to four.<sup>46</sup>

Shortly thereafter, the honesty and integrity of the Calgary Stock Exchange came into question due to two separate instances of market manipulation. The first came after Alberta Petroleum Consolidated conclusively demonstrated that its well in the Turner Valley field produced a high-grade crude oil at a rate of 100 barrels per day.<sup>47</sup> Despite a number of large "buy" orders from US investors (in the range of 5,000 to 200,000 shares of stock out of 800,000 issued,), Alberta Petroleum Consolidated lost more than half its value as share prices tumbled from 5.5 to 2.5 -cents per share. A company official told the *Herald* that a single broker was responsible for the stock losing value. Evidently, the broker's client issued a buy order for 200,000 shares at five cents but then the broker acted to drive share prices down to 2.5 -cents before processing his order, pocketing both the difference between the price the customer was willing to pay versus the sale price as well as the commission.<sup>48</sup> A far larger and more serious challenge arose when a plot by a "small clique" of brokers conspired to depress the market for Southern Alberta Oil Company to help others who sold short and scrambled when the Alberta Oil Company's stock value rose. The governing committee promised action against the clique for rigging the market but only if someone could provide names and dates to the committee. The public grew irate after the *Albertan* alleged that a midnight meeting between the conspirators was an open secret on the floor of the exchange.<sup>49</sup> A letter to the editor of *The Calgary Daily Herald* captured the urgency of the moment, suggesting that "nothing short of some drastic action will save the situation from the most serious consequences to the future development of an oilfield of so much promise." The crux of the problem was that the behaviour of a few bad actors "only tends to discourage the influx of funds necessary for development purposes."<sup>50</sup>

Thus, one of the government's responses to the boom was legislation designed to protect consumers from the worst excesses of stock market speculation. Government officials recognized the necessity of a modicum of government oversight and the beginnings of a regulatory framework capable

of establishing standards, gathering information, conducting investigations, and ensuring transparency, especially over the actions of brokers. In a two-stage process, the Sifton government moved away from self-regulation of the stock exchanges to one where the province embraced a larger role in the regulatory regime for Alberta-chartered companies. Now all the province had to establish was that it had both the right, responsibility, and obligation to oversee the petroleum industry.

