Owned, monitored, but not always controlled: understanding the success and failure of Scottish Free-Standing Companies, 1862-1910

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By

Kevin Tennent

London School of Economics and Political Science

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Declaration

I certify that the thesis I have presented for examination for the MPhil/PhD degree of the London School of Economics and Political Science is solely my own work other than where I have clearly indicated that it is the work of others (in which case the extent of any work carried out jointly by me and any other person is clearly identified in it).

I warrant that this authorization does not, to the best of my belief, infringe the rights of any third party.

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Abstract

Mira Wilkins argues that the free-standing company was an important form of foreign investment in the pre-1914 period, although its implications for economic development in home and host countries remain unclear. The free-standing company, here defined as a company that invested abroad without any domestic operations, was held to be at an immediate disadvantage since it lacked competitive advantage and core competencies, and had to rely on intermediaries. Scotland was home to at least 400 free-standing companies between 1862 and 1900. A core debate around these firms has been the extent to which they were entrepreneurial firms or merely devices for speculation. This thesis examines five of these companies to analyse the role of their Scottish Head Offices within the company. Two of these five companies operated in Australasia and three operated in the USA. The thesis finds that the two firms operating in Australasia were more effective in establishing control over their operations there by devising clear command structures. They were more adept than the U.S.-based firms at using their head office presence to establish marketing links in the United Kingdom, and also better at internalising information and innovating to create new combinations. The Australasian companies further had the advantage that the UK formed their main marketplace, while domestic consumption was the main focus for the companies operating in the US. The thesis concludes that the role of the principal based in the home country was important for free-standing companies in establishing competitive advantage in their operations in the host country. The Home Office is therefore key in overcoming the lack of initial competitive advantage that Wilkins claimed disadvantaged them. This can be attained either by a relationship of direct hierarchical control or by close monitoring.

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Contents

List of Figures 7

List of Tables 8

Abbreviations 9

Chapter 1 – Historical Background 10

Chapter 2 – Literature Survey 38

Chapter 3 – Free-Standing Companies: Purpose, Lifetime and Origins 1862 – 1885 68

Chapter 4 - Ownership and Control – Free-Standing Companies in Australasia 101

Chapter 5 - Managing a Free-Standing Company in the long term: The New Zealand and Australian Land Company 1877-1914 147

Chapter 6 - Ownership and Control – Free-Standing Companies in the United States 199

Chapter 7 - Livestock FSCs in the US: how far were the Scottish cattle companies of the 1880-1900 period Scottish controlled? 239

Chapter 8 - Comparative chapter: How did control vary between FSCs in different host nations? 273

Chapter 9 – Conclusion 298

Appendices 309

Bibliography 328

Index 341

List of Figures

Figure 3.1 Scatter Plot – effect of Nominal Capital on Company Lifetime 89

Figure 4.1 Canterbury and Otago Association Company Structure, c. 1865-1877 116

Figure 4.2 New Zealand and Australia Land Company Structure, c. 1866-1877 128

Figure 6.1 The Arizona Copper Company Structure, c. 1884 212

Figure 6.2 The California Redwood Company Structure, c. 1883-85 221

Figure 7.1 The Matador Land and Cattle Co. Structure, 1882-5 248

Figure 7.2 The Matador Land and Cattle Company, c. 1900 261

List of Tables

Table 3.1 FSC numbers per five year period 73

Table 3.2 Scottish Free-Standing Companies Registered 1862-1885 by two digit SIC Code 77

Table 3.3 Host Countries 80

Table 3.4 Host Continent 81

Table 3.5 Empire v non-Empire 82

Table 3.6 Paid-up Capital per country per annum (£'000s) 83

Table 3.7 Mean Lifetime for most frequent two digit SIC Codes 87

Table 3.8 Reasons for dissolution – most frequent SIC codes 90

Table 4.1 New Zealand and Australian Land Company and Canterbury and Otago Association Land Holdings, 1877 135

Table 4.2 New Zealand and Australian Land Company Operating Profit Summary 1873-6 137

Table 4.3 Canterbury and Otago Association Operating Profit Summary 1873-6 138

Table 5.1 NZALC aggregate freehold land holdings 1879 and 1889. 180

Table 5.2 NZALC Sales of Freehold Land reported to Head Office, 1879-1906. 181

Table 5.3 Five yearly cattle and sheep numbers 192

Table 6.1 California Redwood Company and Arizona Copper Company Directors 209

Table 7.1 Cattle Company promotions in Scotland 1880-86 241

Abbreviations[1]

ACC	Arizona Copper Company *Edinburgh based US hosted copper mining Free-Standing Company – see Chapter 6.*
C&O	Canterbury and Otago Association – New Zealand pastoral FSC 1866-77 *New Zealand hosted pastoral Free-Standing Company, 1866-77.*
CRC	California Redwood Company *Edinburgh based Californian hosted Free Standing Company in the timber trade*
FSC	Free-Standing Company *The core concept of the thesis – a company that has its head office in one country, but which exclusively operates overseas, usually in just one host country.*
NZALC	New Zealand and Australian Land Company *Australia and New Zealand hosted pastoral Free-Standing Company, which absorbed the Canterbury and Otago Association and went on to pioneer frozen meat exports from New Zealand.*
SIC	Standard Industrial Classification *US Government system for categorising economic activity according to sectors, now adopted internationally.*

[1] Note – for archive abbreviations, see bibliography.

Chapter 1 – Historical Background

This chapter provides the background to this thesis and outlines the aims and purpose of the thesis as well as the methodology followed in its production.

1.1 Introduction

This chapter looks firstly at the theory behind the Free-Standing Company (FSC) concept, defining the term clearly as it is to be understood for the rest of the thesis. Secondly it considers the intellectual justification for the study, emphasising the distinctive nature of the thesis and the weight of its contribution to the existing literature. This chapter sets out clearly the need for a consolidated study of this subject and how this thesis will improve upon the inadequate literature surrounding the topic. This thesis has created a consolidated survey using a business history style methodology firstly to examine the origins, strategy and direction of Scottish Free-Standing Companies in general, before looking more closely at the way these unusual businesses were structured. This is especially the case at present, when there is great interest in the long term impact of foreign investment on the Scottish economy and society after about 1850, yet little attempt has been made to separate the various strands of foreign investment in the high Victorian and Edwardian periods. This thesis will also look inside the company, (something not usually done by writers investigating the history of foreign investment in general) to discover how these companies were actually run from Scotland and whether the location of management was an important factor in the success or failure of Free-Standing Companies. A further reason for this part of the study is that case study literature to date has proved to be much too company-specific.

1.2 Theoretical Background

The term 'Free-Standing Company' was initially used by the business historian Mira Wilkins, first in a short 1986 book chapter 'Defining a company', then in a seminal 1988 article entitled 'The Free-Standing Company, 1870 – 1914: an important type of British foreign direct investment'.[2] In these papers Wilkins advances the idea that a Free-Standing Company (FSC) was a company which was headquartered in one country but carried out its operations entirely in one or more other countries, outside the Head Office country. In the 1986 chapter Wilkins confined her analysis to the US between 1865 and 1900, comparing the form to family multinationals such as Faber's and Merck's who sent family members abroad to set up companies otherwise unrelated to the parent.[3] The important element in this was the location of the company's registration, although the implications of a company being unincorporated in a host country are not considered. Instead it is argued that the UK's registration legislation created the advantage that directors were responsible for monitoring overseas operations to ensure that shareholders' funds were not abused. Meanwhile the company's capital could be held in sterling with the resulting access to wider financial markets. However, in the longer run a UK-based Head Office and board of directors could become a disadvantage since, according to Wilkins, it would cause an unnecessary expense for the company. The need to communicate over long distances was a further disadvantage since it slowed down the decision making process.

Wilkins made the case for this differentiation by arguing that studies of multinationals paid little attention to companies that did not conform to the traditional Chandlerian

[2] M. Wilkins, "Defining a Firm: History and Theory," in *Multinationals: Theory and History*, ed. P. Hertner, and Jones, G. (Aldershot: 1986), M Wilkins, "The Free-Standing Company, 1870 - 1914: An Important Type of British Foreign Direct Investment," *Economic History Review second series* XLI (1988).

[3] Wilkins, "Defining a Firm: History and Theory," pp. 83-84.

model of multinational,[4] despite the possibility that in the late nineteenth and early twentieth century UK FSC enterprises may have been the most typical form of UK foreign investment. This, she suggested, was typical in the cases of overseas operating companies based not only in London but also in other British cities: 'notably Edinburgh, Glasgow and possibly Dundee'.[5] Wilkins did not do any direct research on Scotland, but noted that Ranald Michie had identified the prominence of a number of Scottish-based companies that operated only overseas in his 1981 study of the Scottish stock exchanges, *Money, Mania and Markets*.[6] For Wilkins the FSC existed to bring together specific profitable opportunities overseas and UK based investors. Wilkins, heavily influenced by the work of Stanley Chapman, and possibly that of Charles A. Jones,[7] also drew our attention towards the fact that FSCs were often formed in interdependent clusters, an idea that would later be developed by Harvey and Press among others.[8]

Clusters, according to Wilkins, were groupings of individuals, often consultants or general traders who cumulatively made up an informal, unincorporated multinational style structure with unclear firm boundaries. This may have meant that FSCs were vehicles for a sort of vertical integration within much larger organisations, but exactly

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[4] Wilkins found that when researching her history of FDI in the US prior to 1914 there were numerous British firms that entered the US market that did not fit the profile of the US based multinationals she had studied before. M. Wilkins, "The Free Standing Company Revisited," in *The Free Standing Company in the World Economy 1830-1996*, ed. M. Wilkins and H. Schröter (1998), pp. 4 - 5. This history was published as Mira Wilkins, *The History of Foreign Investment in the United States to 1914* (Cambridge, Mass.: 1989). Very simply, a multinational is usually assumed to be a company which has established a competitive advantage in its home country and then replicates this business model in others, or establishes direct investments in other countries to supply its home operations. An example of the first would be International Harvester's expansion into the Russian market for agricultural equipment before the First World War because of the similarities between Russian agriculture and US agriculture; an example of the second would be Lever Brothers' expansion into the Belgian Congo to obtain supplies of palm oil.
[5] Wilkins, "The Free-Standing Company, 1870 - 1914: An Important Type of British Foreign Direct Investment.", p. 261.
[6] R. C. Michie, *Money, Mania and Markets: Investment, Company Formation and the Stock Exchange in Nineteenth - Century Scotland* (Edinburgh: 1981).
[7] S. D. Chapman, "British Based Investment Groups before 1914," *Economic History Review 2nd Series* 38 (1985). Wilkins does not cite Jones, but Jones' book was contemporary with Wilkins' writing and studies the role of English and Scottish emigrant merchant houses operating in clusters in the British Empire and South America. Charles A. Jones, *International Business in the Nineteenth Century: The Rise and Fall of a Cosmopolitan Bourgeoisie* (Brighton, UK: 1987).
[8] C. Harvey, and Press, J., "The City and International Mining, 1870 - 1914," *Business History* 32 (1990).

why this made them 'free-standing' was left unclear. Wilkins' account of this is confusing, particularly when identifying sets of people who were likely to be involved in clusters such as promoters, solicitors or accountants. It is left unclear if these people would exclusively, as groups of promoters, solicitors or accountants set up clusters alone, or set up clusters in a more beneficial pattern as a team of promoters solicitors and accountants with the opportunity to share complementary competences. A further source of confusion, and one that relates back to the themes dealt with in Charles A. Jones' book, is that it is not specified whether these clusters were home or host country groups, or could be both.

In terms of host countries Wilkins also leaves things a little vague, only suggesting that FSCs were as common in non-Empire countries as in Empire countries.[9] She suggests that the concept may have been most useful in countries with little indigenous management experience such as Spain or Burma,[10] although this would seem to contradict her conclusion in the same article that Free-Standing Companies failed due to an inability to create suitable management structures to survive in the long term.[11] It would be interesting to consider the parts of the world where FSCs were hosted in more detail than Wilkins does, particularly as she used evidence from ten different clusters to claim that FSCs followed 'identical patterns' no matter what country or countries they invested in.[12] This is a bold claim, considering the obvious diversity of institutions and other background factors affecting the operation of FSCs. Such possible institutions and factors can range from widely varying government systems, to countries at differing levels of economic development and to differences in the economics of industries that

[9] Wilkins, "The Free-Standing Company, 1870 - 1914: An Important Type of British Foreign Direct Investment," pp. 262 and 265.
[10] Ibid., p. 276.
[11] Ibid., pp. 278 - 280.
[12] Ibid., p. 265.

FSCs entered in their chosen host countries. It might also seem reasonable to assume that for British companies it might be easier to operate in Empire countries than in others.

FSCs seem to have specialised in lower technology or extractive industries rather than newly emerging high technology or complex assembly industries, such as electrical engineering or chemicals. Wilkins argues that this was a consequence of the typically lean governance structure of FSCs – the lack of a managerial hierarchy made it difficult to facilitate the transfer of such knowledge from home to host country.[13] Again, Wilkins contended that the Free-Standing Company was disadvantaged as a start-up, since it did not have the time to develop internal expertise in the home market first, and that a young FSC would have to purchase any expertise required from outside the company, such as from an associated cluster of merchants. The strong impression given is that Wilkins believes the FSC to be at an inherent disadvantage in the host country compared to indigenous firms. Of course, this ignores the fact that companies set up merely to exploit a domestic market have often had no time to develop a research and development capacity either, and may have to purchase technology themselves. A rare and short lived high tech example provided by Wilkins is that of the photography company Eastman Kodak which started as an English FSC but quickly naturalised itself in the US, though Wilkins' choice of this example is strange as she also notes that it naturalised in the US for tax reasons.[14] Generally, however, Wilkins' article is fairly short on historical detail, although this is to an extent understandable as many thousands of examples existed, as she suggests.

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[13] Ibid., p. 277.
[14] Ibid.

The way in which Wilkins develops a theory about the problem of FSCs failing is interesting, but has an obvious shortcoming from a British perspective. She drew on Chandler's work and her own to claim that US companies were easily able to grow across international boundaries because they had become used to operating over large distances, in multiple regions and varying jurisdictions within the US domestic economy. The same was true of management and other key personnel. Since they were happy to move around the country, it was not so difficult for them to transfer to operating in a different country altogether.[15] This was not so for UK domestic firms as they could not easily gain experience in operating over such wide distances, or within different jurisdictions. According to Wilkins, in some cases British firms set up Free-Standing Companies as an alternative to expanding the boundaries of their own firms abroad due to their own lack of experience in operating over distance.[16]

Comparing the types of companies that Wilkins classified as Free-Standing (mostly drawing on the work of previous scholars) with classical vertically integrated Chandlerian multinationals is somewhat unfair, particularly in the era of the mid-late 19th century when the Chandlerian companies themselves were only just emerging.[17] The business model behind the classic FSC, that of a company based in the financial district of a UK city but operating entirely overseas, usually on a single project (and often a single site) in a single country was not without parallel in the US. East Coast entrepreneurs and investors, particularly in New York, were also interested in the settlement of the US West and of Latin America and set up companies on a similar basis

[15] Ibid., p. 264.
[16] Ibid., p. 267.
[17] Before the Sherman Acts, and in some cases even afterwards, many large US 'companies' were really federations such as the Standard Oil Trust – the main large integrated companies prior to the late 1880s were railroads. See Alfred D. Chandler, *Strategy and Structure: Chapters in the History of the Industrial Enterprise* (Cambridge, MA: 1962), Chapter 1.

to take part in this.[18] In the 1880s a company with its board of directors in New York City and operations in Texas did not face hugely different challenges from one which operated in Texas but had its Head Office in London, or in the case of the companies studied here, in Edinburgh or Dundee. Both relied upon writing to and telegraphing their operational departments although the letters would take substantially longer (and telegrams a little longer) to travel from the UK than from New York City. The two companies would suffer similar disadvantages relating to legal differences from operating in multiple jurisdictions, although the Scottish company might have a slight disadvantage as it crossed an international boundary rather than state lines. Currency arbitrage, then, would become the main cost disadvantage and Wilkins provides little evidence on this.

1.3 Historical Background – The emergence of Scottish FSCs as a distinct category of Foreign Direct Investment

A core aim of the early part of this thesis is to clarify the role of the Free-Standing Company in Scottish foreign investment by demarking it as a distinct category from the investment trust, portfolio holding or overseas registered company held by a Scottish investor. Foreign investment as an umbrella term can cover a wide range of different activities from lending to governments or businesses abroad all the way to direct control over assets abroad. Further, the distinction between direct and portfolio investment is

[18] There is plenty of evidence from already published literature that companies like this, operating from a remote single site somewhere in the newly opened up West but with their registered Head Office in an advantageous location on the east coast or in the Midwest were common, and in fact may have been more common than FSCs coming in from the UK. The Francklyn Land and Cattle Company was registered in New Jersey with its administrative Head Office in New York City but ran a ranch in Texas - see L. F. Sheffy, *The Francklyn Land and Cattle Company* (Austin, Texas: 1963). Meanwhile the Detroit Copper Company was based in Detroit but mined on a single site in Arizona – see Charles K. Hyde, *Copper for America: The United States Copper Industry from Colonial Times to the 1990s* (Tucson, AZ: 1998). More broadly many US companies have registered in states such as New Jersey or Delaware to take advantage of more advantageous company law, while not operating there, although often only the legislation remains in that state.

somewhat blurred. Perhaps the core contribution of Wilkins' 1988 article was to identify companies that had their Head Office in one country and their operations abroad as direct investors – such schemes were previously considered portfolio investments. In fact some, such as Christopher Schmitz, who in a 1997 article considered FSCs among his sample of Scottish portfolio investments, claimed that Charles A. Jones and then Wilkins had managed to confuse matters, by categorising these 'traditionally' defined portfolio investments as 'Free-Standing Multinationals'.[19] On this topic this thesis will clarify matters more in Chapters 4-8, when we will look inside the firm to identify how much control the Scottish Head Offices of FSCs actually had over the assets that they were responsible for overseeing on behalf of their shareholders.

Free-Standing Companies based in Scotland, like their English counterparts, emerged against the backdrop of a capital market which had grown wealthy from the proceeds of industrialisation and the mercantile links with the outside world that had developed over two previous centuries of global trading, particularly from Glasgow. By 1860 the Scots already had a long history of establishing companies or businesses abroad that at least represented investments, even if direct control of such enterprises was not yet possible or intended. Probably the earliest proto-FSC established in Scotland was the infamous Company of Scotland trading to Africa and the Indies, established by government charter in 1695. Finding itself unable to operate within the English imperial system due to the Navigation Acts of 1660, and attract English capital as a result, it was decided to colonise the Darien region of Panama instead. This company was a spectacular failure, consuming at least £153,631 of shareholders' funds and plunging Scotland into a

[19] C. Schmitz, "The Nature and Dimensions of Scottish Foreign Investment," *Business History* 39, no. 2 (1997): pp. 62 - 63.

financial crisis that contributed to the union with England.[20] This scheme collapsed partly because the climate in Panama proved too inhospitable for the Scots, with fewer than 500 of 2,500 colonists originally sent surviving, and partly because the remaining Scots were forced to abandon their colony when the Spanish sent an army to assert their territorial rights. The real risk of running an enterprise over such a long distance without fast communication technology was revealed when a second expedition was dispatched from Scotland in 1699 because the governors of the company had no way of knowing that the first had already had to abandon the colony.[21]

After the embarrassment of Darien, and probably the influence of the South Sea Bubble of the 1720s, the next notable Scottish wave of interest in investing in joint-stock companies intended to operate overseas surfaced in the early 19th century. In the meantime mercantile links continued to expand. Early links with Australia were important: trading companies based in Scotland such as the short lived Australian Company of Edinburgh and Leith (1822-1833) started to play an important role in mercantile activity. This firm was not greatly successful but from the late 1830s various new firms were started in Aberdeen, Edinburgh and Glasgow to carry on a range of commercial enterprises in Australia. Perhaps most notable was the Clyde Company, a co-partnership formed in 1836 to farm sheep on a group of properties in the newly opening up Port Philip district (later Victoria) and backed by five big Glaswegian shareholders as well as two from Van Diemen's Land.[22] The Clyde Company was an admirable early venture though it represented more of an arms' length portfolio investment on the Scottish side. The Clyde Company was dominated by its managers Phillip and George Russell, emigrant sons of a Fife farmer. Under the Russells the

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[20] S. G. E. Lythe and J. Butt, *An Economic History of Scotland 1100 - 1939* (Glasgow: 1975), p. 66. £153,631 in pre-Union Scottish currency was worth around £12,802 in English currency. Ibid., p. 74.
[21] J. Prebble, *The Darien Disaster* (London: 1968), pp. 232 - 239.
[22] P. L. Brown, ed., *Clyde Company Papers, Prologue 1821 - 35* (London: 1941), p. xi.

Clyde Company quickly outgrew its Scottish shareholders, and the main run, Golfhill, was sold freehold in 1858 to George Russell who preferred to operate on his own account rather than for a group of invisible principals, and the rest of the company was broken up.[23] Among numerous other similarly successful early proto-FSC ventures in Australia were the Scottish Australian Company and the Aberdeen Australian Company which channelled funds into sheep farming in Australia with reasonable success.[24]

W. Turrentine-Jackson, in his classic 1968 study of Scottish investment in the US, *The Enterprising Scot*, tells us that similar investment enterprises started to appear in the US from 1837 with the Illinois Investment Company.[25] Aberdeen financiers were again important in this field, staking £120,000 on pioneering ventures such as the North American Investment Company and the Michigan Investment Company (both 1839) and the Galena Investment Company (1840). These firms were apparently relatively successful, paying dividends of 12-14% per annum, with the exception of Galena, a lead mining venture, which failed to become profitable.[26]

It is difficult to assess the performance of these early firms because they left little documentation, and in many cases, such as that of the Clyde Company, they did not always strictly fit the Free-Standing pattern as Wilkins specified it. Shareholding in them was relatively limited, although one firm, the North British Australian Company, had as many as 419 'partners'.[27]

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[23] M C Prentis, *The Scots in Australia* (Sydney: 2008), p. 85. George Russell's success was quite spectacular – in 1839 the Clyde Company was paying him £100 a year to manage 8,000 sheep – by his death in 1887 he was worth £318,110. E Richards, "Australia and the Scottish Connection, 1788-1914," in *The Scots Abroad, Labour, Capital, Enterprise, 1750-1914*, ed. R. A. Cage (Beckenham: 1985), p. 126.
[24] D. S. Macmillan, "Scottish Enterprise in Australia, 1798-1879," in *Studies in Scottish Business History*, ed. P. L. Payne (London: 1967), pp. 334 - 339.
[25] W. Turrentine Jackson, *The Enterprising Scot: Investors in the American West after 1873* (Edinburgh, UK: 1968). p. 8.
[26] Ibid.
[27] Macmillan, "Scottish Enterprise in Australia, 1798-1879," p. 336-339.

Limited Liability was first introduced as a concept applicable to all Joint Stock Companies that registered for it by the Joint Stock Companies Act of 1856, in both Scotland and England.[28] Before 1856 the situation was somewhat more confused and impeded the formation of overseas companies. Joint Stock Companies were legally allowed in Scotland but the Limited Liability situation was uncertain. The implication of this was that the partners (or shareholders) in old style partnerships or unincorporated companies were potentially liable for the full extent of their share of the debts should a company fail. [29] This high risk then restricted involvement to those with pockets deep enough not to be affected if the worst were to happen. Trust appears to have been a key problem for many of these earlier concerns. The Clyde Company merchants or managers based in the field were effectively entirely responsible for carrying out business since communications were restricted to the sailing times between host economies and home. This information asymmetry, coupled with an underdeveloped capital market and the continuing expansion of industry at home, seems to have restricted international business until the coming of limited liability gave both entrepreneurs and shareholders clear legal protection against scams or poorly planned schemes by restricting the possible losses to the capital of the company.

Thus, only after 1856 do we start to see the emergence of Free-Standing Companies as Wilkins portrays them, with a Head Office based in a Scottish city and operations

[28] R. H. Campbell, "The Law and the Joint - Stock Company in Scotland," in *Studies in Scottish Business History*, ed. P. L. Payne (London: 1967).
[29] Ibid. According to Campbell in this short chapter, prior to the Joint Stock Companies Act of 1856 the rights of Scottish joint stock companies or partnerships were more advanced than those in England, which had effectively banned joint stock under the Bubble Act of 1725. In Scotland under ancient Roman law shares were transferable and corporate personality was granted, meaning the partnership or company could sue or be sued. Campbell presents limited case-based evidence that Scottish companies could also enjoy limited liability in some cases, but as this was a legal uncertainty it seems more likely that contemporaries would not have considered these companies to enjoy limited liability. Registration to a certain address was also introduced under the 1856 Act – prior to this companies had to apply for a 'seal of cause' from their home burghs. Such registration was difficult to obtain as it was really restricted to trade guilds or civic institutions such as universities, asylums or hospitals. The registration of a Head Office address required under the 1856 Act, which paralleled English requirements, also brought in at that point, is at the very centre of the Wilkins thesis as it ties the company physically to the country rather than allowing it to be a floating entity with nominal registration there, such as a ship.

entirely abroad. Wilkins' concept requires a very specific set of circumstances. The 1856 Act obliged companies to register a specific Head Office address in the United Kingdom (even if this was not their actual centre of operations) thus tying them in some specific way to British premises. Companies registering their Head Office address in Scotland filed them with the branch of Companies House located in Edinburgh, but there was no legal requirement for operations to be in Scotland.[30] Hence any future schemes along the lines of the Clyde Company could be registered under the Joint Stock Act. Their shareholders could now enjoy the protection of Limited Liability in return for having some form of nominal presence in Scotland: filing a simple annual return showing the company's capitalisation structure and submitting a shareholder register.[31] However, it should be noted that there was no obligation that the shareholders should be in Scotland either, nor that the directors, secretary, management or employees be Scottish. The only characteristic that necessarily made companies 'Scottish' was this Head Office presence and the file held by the registrar in Edinburgh. Company registration in Scotland could therefore be used as a flag of convenience for operating either in jurisdictions that did not allow joint stock companies limited liability or in those where registration requirements were more onerous.[32] In this way free-standing companies, as opposed to the earlier overseas companies, came into being.

As an alternative for Scots investing abroad, there were occasional cases of companies registered in foreign countries but with Scottish owners. Shares in foreign registered companies were frequently traded on the stock exchanges, particularly in London,

[30] Free-standing companies registering in England or Wales could gain the same advantages – Scotland is used as the example in this paragraph as this thesis is about Scotland.
[31] In fact under the 1856 Act companies were obliged to keep true accounts and use double entry bookkeeping, but they were under no requirement to disclose these to the regulator or even their to own shareholders, although circulation to shareholders was recommended. See J. Armstrong and S. Jones, *Business Documents: Their Origins, Sources and Uses in Historical Research* (London: 1987), pp. 5-6.
[32] Companies often register today in those jurisdictions requiring the least onerous registration requirements. After the UK started to require disclosure of Balance Sheets after 1908, and Profit and Loss Accounts after 1927 some promoters began to register their companies elsewhere as flags of convenience – for instance in offshore jurisdictions such as the Channel Islands or the Isle of Man.

which Scottish investors were able to access easily even before the telegraph since London stockbrokers could find agents in Scotland.[33] Such firms competed for funds with Scottish FSCs, as well as with English FSCs.[34] In cases where foreign registered companies were traded, transaction costs may generally have been higher due to the need to purchase shares in foreign currencies (rather than convert the proceeds inside the company) and receive any dividends or sale proceeds in that foreign currency too. Further problems existed with the development of joint stock companies in countries with poorly developed legal systems, particularly with respect to the specialist area of corporate law. Not all jurisdictions allowed for limited liability, especially given that Scotland only formally allowed it from 1856 with a very slow rate of take-up.[35] Although limited liability at home was a new concept, the lack of limited liability protection abroad no doubt remained a barrier to entry for entrepreneurs unfamiliar with conditions in a foreign country. Such a barrier could prevent investment in a country even if a good opportunity existed there, and some more risk averse investors may have been put off investing entirely.

Another competing channel of foreign investment that attempted to spread risk existed in the capital market. These were the investment trusts which started to appear in Scotland after the foundation of the Scottish American Investment Trust in Dundee and the Scottish American Investment Co. in Edinburgh in 1873. These companies were

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[33] Michie, *Money, Mania and Markets: Investment, Company Formation and the Stock Exchange in Nineteenth - Century Scotland*, p. 254. Even smaller towns like Perth had access to stockbrokers – for instance the stockbrokers Hornsby & Co. had James Morison, a Perth bookseller, as their agent.

[34] According to R. C. Michie, *The London Stock Exchange: A History* (Oxford: 1999), this was very common in the nineteenth century, especially in London. The trading of American railroad shares on UK stock exchanges has also been studied – P. L. Cottrell, *British Overseas Investment in the Nineteenth Century* (London: 1975), points to several examples: 40 foreign railway companies were quoted on the Liverpool Stock Exchange even as early as 1847.

[35] See P. L. Payne, *The Early Scottish Limited Companies, 1856 - 1895* (Edinburgh: 1980), for a very good account of this. See also Campbell, "The Law and the Joint - Stock Company in Scotland," p. 143. Limited Liability may have been a problem specifically in common law countries such as the US and all British possessions, though Roman law countries allowed for some limited liability – for instance France had the *société en commandite*, which distinguished active from sleeping partners and gave sleeping partners limited liability.

founded by the investment trust pioneers Robert Fleming and William J. Menzies, who would both later feature on the boards of FSCs.[36] By 1914 Edinburgh had twenty-five trusts and Dundee eight, with the Scottish investment trust industry punching somewhat above its weight compared with the size of its English counterpart.[37] Investment trusts were different from FSCs in that they did not concentrate on internalising a single project. Instead they bought a portfolio of securities, usually in companies registered in the US, and were not closely involved in the management of these companies. Trusts also directed their operations from home, although their representatives visited the US, and some had active agents there.[38] These trusts also offered mortgages in the US in some cases,[39] and carried out some domestic short term lending and took deposits in the short term.[40] Unlike the FSCs, they appear to have been extremely well documented and much published financial data remains about them, especially in George Glasgow's 1932 general volume about the Scottish Investment Trust Companies and J. C. Gilbert's 1938 history of the Dundee Investment Trusts.[41] Although the investments of these trusts were not disclosed for reasons of commercial confidentiality Glasgow's volume contains tables for each company. These tables detail the value of debentures and preference stocks issued by each company as well as visible cash reserves, percentage returns earned and dividends paid, as well as market stock prices. These statistics suggest that in general the investment trusts were very successful and capable of surviving for long periods; many of those detailed in these volumes were founded in the

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[36] J. C. Gilbert, *A History of Investment Trusts in Dundee 1873 - 1938* (London: 1939), p. 5.
[37] Ibid., p. 9. Gilbert gives no aggregate figures for the earlier years, but to give an idea of the relative importance of trusts, by 1933 there were 197 trusts in Great Britain, which held investments at a book value of £332,253,000. Of these 74 were registered in Scotland and these held investments at a book value of £128,738,000, or 38.7% of the total.
[38] Jackson, *The Enterprising Scot: Investors in the American West after 1873*, pp. 24-27. The Oregon and Washington Trust Investment Company sent William Reid to Portland, Oregon, to oversee the placement of loans there.
[39] Ibid., pp. 26-27. Reid was offering loans directly to farmers and landowners.
[40] Gilbert, *A History of Investment Trusts in Dundee 1873 - 1938*, p. 2. Scottish trust companies took on short term deposits and lending, but English trusts did not. It is unclear whether this policy helped the development of Scottish trust companies.
[41] G. Glasgow, *The Scottish Investment Trust Companies* (London: 1932), Gilbert, *A History of Investment Trusts in Dundee 1873 - 1938*.

1870s and 1880s and still in existence in the 1930s. The Barings crisis of 1890 appeared to make investors cautious, temporarily slowing down interest, although a new set of trusts were brought into being in the 1900s.[42] The trusts were purely financial devices with no intention of carrying out any commercial activities of their own. Instead their aim was to invest in other companies and land abroad as well as carrying out activities such as mortgaging.

There were also some borderline investment trusts/FSCs such as the London-based but largely Aberdeen financed Texas Land and Mortgage Company, which were formed as overseas mortgage companies. They had more specific commercial purposes than those trusts with diversified portfolios.[43] According to Kerr, Texas Land and Mortgage was key in establishing some ranches, most famously in providing the finance for the privately owned JA Ranch in the Texas Panhandle, which was managed by the well known cattleman Charles Goodnight, meaning that the FSC route to raising capital for ranching could be avoided. In some cases the distinction between portfolio investment and direct investment is not clear. It is difficult to know how entrepreneurial the intentions of those backing FSCs actually were, especially in areas where cross-overs between trusts and FSCs are apparent. Certainly, promotional links between trusts and FSCs existed - for example Robert Fleming, the London correspondent for the First, Second and Third Scottish American Trust Companies of 1879, was involved in promoting the Matador Land and Cattle Company.[44]

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[42] George Glasgow, who set out to create a definitive list of Scottish investment trusts in the 1930s, listed 21 trusts that were founded after the Baring crisis but before 1914. Glasgow, *The Scottish Investment Trust Companies*, pp. 74-121.

[43] See W. G. Kerr, "Scottish Investment and Enterprise in Texas," in *Studies in Scottish Business History*, ed. P. L. Payne (London: 1967) , p. 375.

[44] W. M. Pearce, *The Matador Land and Cattle Company* (Oklahoma: 1964), pp. 10 - 11.

The free-standing company, then, was not the only mode of investment open to Scots in this period. Because they also placed funds into operations abroad, free-standing companies tend to be associated with the investment trusts or mortgage companies. Historians studying foreign investment originating in Scotland in this period such as W. Turrentine Jackson and William Kerr have tended to group these firms together simply because they were forms of foreign investment.[45] Nevertheless, the free-standing company is worthy of attention on its own because it was not a mere collection of financial instruments. The free-standing company usually intended to enter an industry that was not related to finance, and though it was intended to make a profit, the aim was usually to do so by producing a tangible product. Generally, it targeted its investment within a single country and a single project, thus constituting a venture of higher risk but potentially one which could create a very valuable asset if managed correctly. This thesis examines what projects free-standing companies were involving themselves in and how well managed they were.

Its worth noting briefly that it might be reasonable to expect the industrial north of England, Wales and Ireland to have produced some FSCs, as well as Scotland's cities. There has been little study pursued in this direction. Rory Miller, in his work on British FSCs in South America, has noted that Liverpool merchant houses did float some FSCs involved there.[46] Most notably, the promoter Colnel John Thomas North, working in partnership with Wm. & Jno. Lockett, a Liverpool merchant house, and W. R. Grace & Co. of New York, had set up a cluster of FSCs in South America in the nitrate, railways and utility industries. Miller notes that many Liverpool merchant houses moved their headquarters to London in the Edwardian period and took the administration of FSCs

[45] Jackson, *The Enterprising Scot: Investors in the American West after 1873*, W. G. Kerr, *Scottish Capital on the American Credit Frontier* (Austin, TX: 1976).

[46] R. Miller, "British Free-Standing Companies on the West Coast of South America," in *The Free-Standing Company in the World Economy 1830-1996*, ed. M. Wilkins and H. Schroter (Oxford: 1997), pp. 228-229.

with them. It seems likely that if any FSCs were registered in other English provincial cities or Wales that they gradually moved their headquarters to London to maintain links with the mercantile community. In Ireland there was surprisingly little activity. In his history of Irish stock exchanges, W. A. Thomas tells us that while Irish investors were interested in purchasing the shares of foreign mining and land companies, none were registered in Ireland.[47] There was also some interest in purchasing foreign government and railway securities, but the actual operation of assets abroad does not seem to have attracted Irish entrepreneurs or capitalists.[48]

1.4 Archival Sources

Chapter 3 makes use of the Companies House registration files held in the National Archives of Scotland under collection BT2, which contains all companies dissolved or liquidated before 1980. These are used to collect as far as possible the population of Scottish Free-Standing Companies established in this period. Data pertaining to the first 116 such companies (all those registered until the end of 1885) were collected for the entire population including the available capitalisation details, details regarding the size of shareholding and paid capital, and also details from the Articles of Association and Memoranda of Association pertaining to the aims of companies. Company purpose details were divided into Standard Industrial Classification (SIC) categories to give the first breakdown of Scottish FSC activity to divide FSCs into SIC categories. Available profit and dividend data for these periods were collected, although this information is scant since companies were not obliged even to file balance sheets until 1908.

[47] W. A. Thomas, *The Stock Exchanges of Ireland* (Liverpool: 1986), p. 150.
[48] Ibid., p. 131.

Chapters 4 and 5 make use of the archives of the New Zealand and Australian Land Company Limited, deposited in the National Archives of Scotland in Edinburgh under collection GD435. These files appear not to have been used by previous scholars, yet are probably among the larger collections of records left by any Scottish Free-Standing Company. This collection is particularly vast, including 620 different files. It was not possible to look at all of these, although the records of the Canterbury and Otago Association are also included, and these were consulted alongside the NZALC records. The selection was narrowed down by confining the enquiry to those files from before 1910, as the company continued until 1968. The choice was also limited to those files that reflect the activities of the Head Office, the regional managements used by the company or the actual farms in New Zealand or Australia. While some financial data was collected as evidence of performance (though recognising the limitations of nineteenth-century accounts) the main focus was on collecting qualitative information. Firstly, to analyse the role of the Head Office, the minute books of board meetings, which are extremely detailed, were used to show how active the board and Scottish management actually were in decision making.[49] These books also allow some analysis of the frequency and level of communication between Australasia and the firm's board and how this was carried out, since communications from Australasia were frequently reproduced in the minute books. From this it was possible to look at how far the information was internalised within the firm. The various boxes of loose papers were consulted in order to gauge the level of interaction between the different parts of the company. Reports made on the company's properties in Australasia during the visits of James Melvin,[50] a director, in 1866 and newly appointed William Soltau Davidson in

[49] National Archives of Scotland (NAS), GD435/1-13, New Zealand and Australian Land Company Ltd., Minute Books.
[50] NAS GD435/611/1, New Zealand and Australian Land Company Ltd., Assorted Items – Report by James Melvin on properties in New Zealand and Australia, 19 June 1867.

1878 were also of use.[51] These long booklets provide evidence that the Scottish directors were actually interested enough in the properties to visit them and examine them in detail, and to provide a report on them for the other directors and shareholders in Scotland to read. These reports were also used to direct future investment decisions and again provide evidence that the NZALC had a highly integrated structure in which authority spread from Scotland to the Australasian colonies.

A different set of materials, also held by the National Archives of Scotland, was used for **Chapter 6**. These are the records held by Messrs Davidson and Syme, W.S., solicitors who represented the Arizona Copper Company and California Redwood Company and which are grouped with a wide body of other records under reference GD282. Although the records for these companies are not as comprehensive as those for the NZALC, they still contain useful evidence in relation to the research question. A particular problem here is the lack of any comparable minutes from either company, although some other internal documents are available. In the case of the California Redwood Company the file GD282/13/123 containing reports and correspondence was of particular value, as this contains much of the surviving correspondence from within the firm as well as the reports made by emissaries sent to inspect the company property in California. A further item of use was the scrapbook GD282/13/143, which includes the report of the company's first general meeting as well as the report of a visit by Messers Blyth and Menzies, two of the directors, to the company's operations in California, and the report of the subsequent EGM into the visit. The 1884 report of the visit of John Blair and Francis More to California is also included, and provides much useful information on the agency problems encountered by the company's Scottish Head Office, particularly the obstructionism of their agents in California. The CRC is

[51] NAS GD435/611/2, New Zealand and Australian Land Company Ltd., Assorted Items - Private Report on Estates by William Soltau Davidson, General Manager, Nov. 1878.

comparatively rare as an FSC failure that left a significant amount of archival material behind, and this thesis represents a useful opportunity to bring these sources to wider attention.

In the case of the ACC a number of files were very useful, particularly GD282/13/154, 155 and 158. GD282/13/154 includes a report on the ACC's operations in Arizona by J.A. Robertson, who was sent by the directors to inspect the business at a time when finances were becoming particularly precarious, from 1884. GD282/13/155 includes some very useful documents on principal-agent lines including a list of remittances to America, a listing of debts for which the company was liable in America, and various documents reviewing the company's situation in Arizona and attempts by the Edinburgh Head Office to rectify them. GD282/13/158 contains a miscellany of useful accounting information relating to performance and information about the actual mining properties themselves operated by the ACC at Clifton, Arizona, as well as the railway built to serve them. Again, these sources were useful in building up a picture of how far the ACC went in attempting to develop a managerial system to combat the principal-agent problems associated with the Free-Standing form of company.

In **Chapter 7**, which focuses upon free-standing companies in the range cattle industry, two bodies of archival primary source material were utilized as well as one major published primary source. Records of the Matador Land and Cattle Company held by the University of Dundee Archives and copied from those held by Texas Tech University Archives include some useful letters and other internal correspondence within the company in its formative years and later under the influential management of Murdo Mackenzie. In addition the Lamb Collection at Dundee City Library holds some published reports and accounts from the earlier years of the company as well as those of the Hansford Land and Cattle Company and the Texas Land and Cattle Company. These reports are useful in gauging how an FSC reported its performance to shareholders as well as providing useful evidence in relation to the relation between the Matador's head office and its operations in the US. An additional source used in **Chapter 7** was the memoirs of John Clay, a Scottish emigrant who became an influential ranching consultant in the 1880s and 1890s. Although Clay's memoirs have the obvious shortcoming of being written from a nostalgic perspective, he usefully analyses how Scottish FSCs actually ran their ranches in this period, and this information is much too useful to ignore.[52]

1.5 The Distinctive Nature of the Thesis

This thesis has two main aims. Firstly it examines the FSC population in Scotland globally, aiming to give as complete an account as possible of the patterns of entrepreneurship and investment in those FSCs that were registered until the end of 1885. No study of this type has previously been undertaken. As **Chapter 2** notes in more detail, previous studies of this sort have either not differentiated FSCs from other types of foreign investment, or have been country specific in focus. This part of the thesis augments previous knowledge in that it shows exactly in what parts of the world and in what economic activities Scottish FSCs were investing and operating. Additionally, this part of the thesis investigates some neglected issues from Wilkins' original writing about FSCs. The first of these clarifies the importance of Scottish cities as centres of FSC formation. Wilkins suggests that Glasgow, Edinburgh and Dundee had a role to play in this. Local historians in Dundee have noted this a little, but concentrated on the social side, while those FSCs based in Glasgow and Edinburgh

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[52] See J. Clay, *My Life on the Range* (Chicago: 1924).

seem to have attracted relatively little interest from Scottish historians.[53] Aberdeen's role remains ambiguous, but as we have noted above, it had been a centre for investment in proto-FSCs in the US and Australia, and therefore it would be reasonable to expect some FSCs to be based there. This thesis usefully groups FSCs with their cities of origin to show which centres were most important in terms of grouping Head Office, and in some cases looks at how much local involvement there was with these companies.

Contributing to the debate over the lifetimes of FSCs will be another aim of **Chapter 3**. Schmitz found that an Edinburgh-based mining FSC could expect on average a lifetime of 8.1 years and P. L. Payne calculated a span of 6.4 years for all Scottish based mining FSCs.[54] Kerr's examination of ranching FSCs provides some clear results with companies surviving for only five to six years at best.[55] These analyses tell us little about the specific circumstances and historical development of the companies involved. Consideration is rarely given to how the demise of the Free-Standing status of the company came about – for instance through bankruptcy, merger with another company (perhaps Free-Standing), or by selling to owners in the host country or re-registering there. **Chapter 3** presents some conclusions on the reasons for FSC failure, a theme which is returned to in **Chapters 6** and **7**.

[53] For Dundee, see C. E. Swan, *Scottish Cowboys and the Dundee Investors* (Dundee: 2004). Edinburgh has been given a lot of attention by US based writers such as Kerr and Jackson interested in its role as a base for Investment Trusts and FSCs hosted in the US, but it has been left unclear whether Edinburgh capitalists were ever interested in investing anywhere else. See Kerr, *Scottish Capital on the American Credit Frontier*, and Jackson, *The Enterprising Scot: Investors in the American West after 1873*. For Glasgow surprisingly little on overseas investment has been written at all, but there is a brief account in Michie, *Money, Mania and Markets: Investment, Company Formation and the Stock Exchange in Nineteenth - Century Scotland*.

[54] Schmitz, "The Nature and Dimensions of Scottish Foreign Investment". p. 51., Payne, *The Early Scottish Limited Companies, 1856 - 1895*, p. 101.

[55] Kerr, "Scottish Investment and Enterprise in Texas."

The second contribution of this thesis is one which has a much wider impact than that just on Scotland. This thesis seeks to go inside the "black box" to examine the internal structure and operational history of a carefully selected group of FSCs, in order to investigate the effectiveness of the management style and structure used to run these companies. This thesis agrees with Wilkins that the Free-Standing Company existed, and still exists, as a separate form of organisation from the multinational company. However, there are grounds for further investigation – of core interest here will be the importance of the Scottish Head Office to the company and the role that it had within the firm. A key area of inquiry has been to gather evidence relating to the Head Office – principally how big it was physically, what was done there and whether the company shared it with others or occupied it solely, and even whether it purchased the Head Office outright. On the role of the FSC Head Office the core issue at the extremes has been the distinction between a 'brass nameplate' presence with perhaps only a secretary based there,[56] or the company being administered through a legal or accountancy practice at the address. At the other extreme was a full scale headquarters with a secretariat employing a large number of people who held a wide range of responsibilities, as described by T. A. B. Corley in his book on one of the larger Scottish FSCs, Burmah Oil.[57] There has been little consideration of the possibility that some FSC Head Offices could lie between the extremes. These companies, with no

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[56] The phrase 'brass nameplate' has been associated with FSC style companies since at least 1982 when S. J. Nicholas, in an article in the *Journal of European Economic History*, referred thus to a 1977 article in the *Journal of Economic History* by I. Stone about British FDI in Latin America: 'it is hard to avoid the impression that much of the Latin American direct investment catalogued by Stone involved in the UK little more than a brass nameplate someplace in the City.' Ironically Nicholas actually added very little to the debate over what would later become known as Free-Standing Companies, as the rest of the article went on to talk about British manufacturing multinationals, the implication being that these 'brass nameplates' were somehow not proper FDI, but without actually labelling them as portfolio investment instead. This simple exclusion of the FSCs from British FDI seemed counter productive, because as Wilkins and others would later point out, they represented a very large proportion of UK FDI. See S. Nicholas, "British Multinational Investment before 1939," *Journal of European Economic History* XI (1982), and I. Stone, "British Direct and Portfolio Investment in Latin America before 1914," *Journal of Economic History* XXXVII (1977).

[57] T. A. B. Corley, *History of Burmah Oil*, vol. 1, 1886-1924 (London: 1983).

previous operational history in Scotland, came to be based there because of the location of their Head Office and its role.

In **Chapters 4** and **5** the first two free-standing companies to be examined are the Canterbury and Otago Association (C&O), and its better known partner, the New Zealand and Australian Land Company (NZALC). The NZALC had the largest capitalization of any Scottish FSC before 1885, with a nominal capital of £2 million at its foundation in 1866 which was increased to £2.5 million after merging with the smaller C&O in 1877.[58] Both were farming and land companies: the NZALC operated in both Australia and New Zealand, and the C&O concentrated on the Canterbury and Otago regions in New Zealand. The NZALC is also unusual in being a large company but one whose history is mostly unpublished, apart from the memoirs of William Soltau Davidson, its general manager from 1879 to 1915.[59] Outwardly these two companies would have appeared to be mere 'brass nameplates' at their shared headquarters in Glasgow, but as **Chapter 4** makes clear this office had a real administrative role. The management of the C&O and the NZALC is examined to clarify its role within the company.

Chapter 6 studies two FSCs operating in the US: the Arizona Copper Company (ACC) and the California Redwood Company (CRC). The US offers an interesting selection of case studies as Wilkins based her original thesis that FSCs often failed because of their weak management structures primarily on British based FSCs operating in the US. These two companies also represented large investments: the Arizona Copper Company was the largest mining FSC floated in Scotland before World War I with a nominal

[58] National Archives of Scotland (NAS) – Company Registration Files. BT2/229 and BT2/789 respectively.
[59] William Soltau Davidson, *William Soltau Davidson, 1846 - 1924* (Edinburgh: 1930).

capital of £875,000,[60] and also represented an investment into the copper pyrites industry, one of the biggest drivers of industrialisation in the later nineteenth century as it supplied the emerging chemical industry. The section on the California Redwood Company studies the structure of a Scottish FSC in the timber industry, a sector not usually associated with Scottish investments abroad.[61] The CRC also makes an interesting case study because it was a failure: the core of the business was purchased by the Edinburgh based company in 1883 but it entered liquidation in 1885. A legitimate critique of Business History as a discipline is that failures are rarely studied in detail because they seldom leave much evidence behind.[62] In the CRC's case some evidence was left behind and this study has used it to analyse the organisational structure of the company. The role of the CRC's Head Office will be considered important, particularly the issue of whether the company was controlled from Scotland or from California, and even whether it could be considered a unified firm, as its structure was fairly complex. Again the issue of crucial importance will be how Scottish the company actually was. Both the ACC and the CRC were mentioned by Jackson in *The Enterprising Scot*, and the ACC was also mentioned by Charles K. Hyde in his *Copper for America* and by Clark C. Spence in *British Investments and the American Mining Frontier 1860 - 1901*.[63] This study does not aim to present a complete history of the ACC or the CRC, but to analyse them from the point of view of

[60] NAS BT2/1144.

[61] Although as many as seven companies were formed to operate in the Lumber and Wood Products SIC category, and two to purchase Timber Tracts – see **Chapter 3**.

[62] Note, for instance Donald Coleman's 1987 critique that often the need to gain access to archives that are still in the ownership of a private company dictates the need to gain the approval of that company for what is written, and usually discourages the historian from making comparisons between different firms. This can preclude Business History from becoming a wider study of the activities of businesses within the economy, a problem perhaps best noted by Professor Leslie Hannah in a 1983 lecture at the London School of Economics in which he complained that British business historians were 'inveterate empiricists' whose work was said rarely to go beyond 'the narrative method applied to the single case'. D. Coleman, "The Uses and Abuses of Business History," *Business History* XXIX, no. 2 (1987): pp. 141-142, Leslie Hannah, *Entrepreneurs and the Social Sciences: An Inaugural Lecture* (London School of Economics: 1983).

[63] See Jackson, *The Enterprising Scot: Investors in the American West after 1873*, ACC: pp. 163 - 185. CRC: pp. 102, 222-229, 231, 302. Hyde, *Copper for America: The United States Copper Industry from Colonial Times to the 1990s*, pp. 113 - 126, 130 - 132, 139, 163. Clark C. Spence, *British Investments and the American Mining Frontier, 1860-1901* (New York City: 1958), pp. 68 - 69, 137, 230.

their structure as FSCs. Jackson is closest to this approach and presents a good history but tells us little about how the ACC was structured and who was effectively taking entrepreneurial control, while Hyde and Spence are more interested specifically in the study of the ACC as a mining company. Jackson's study of the CRC is also good, but again does not highlight the complex structure of the company, and exaggerates the importance of the company's implication in a fraud regarding land ownership as a reason for its failure, when in fact it would probably not have been a viable proposition in any case.

Chapter 7 studies perhaps the best known category of Scottish FSC investment in the late nineteenth century – the involvement of Scottish FSCs in the US range cattle industry after 1880. The main company analysed is the Matador Land and Cattle Company, the longest surviving Scottish FSC in the industry. The main reason for looking at cattle in the US has been to provide a comparison between Scottish entrepreneurship and investment in the livestock industry in Australasia and that in the US. Further, the Matador, as an important US hosted Scottish FSC, deserves a reappraisal in terms of its structure and why it operated effectively when the ACC and the CRC ran into so many organisational problems. A company history, William Pearce's *The Matador Land and Cattle Company*, has been published, although in places Pearce does little more than reproducing the primary sources, and his work also lacks a comparative perspective.[64] Claire Swan has also provided us with a social history of the Matador Land and Cattle Company which has traced the careers of many of the key participants in the scheme, but does not look in depth at the actual operation of the company.[65] This chapter additionally uses some of the other evidence available to come to some conclusions about the organisation of other Scottish ranching FSCs of

[64] Pearce, *The Matador Land and Cattle Company*.
[65] Swan, *Scottish Cowboys and the Dundee Investors*.

the period. Again, the principal priority for this research has been to establish how far these companies were actually controlled from Scotland and whether the Scottish Head Office had a positive role to play in the organisation of the business.

Chapter 8 brings the previous chapters together to compare the approaches of all five companies studied. The focus is on examining how far Scottish principals controlled their agents in Australasia or the US and looking at what principals were able to do well and what they did less well within the five different companies studied. The entrepreneurial motives behind each of the companies are compared and the role of the Head Offices contrasted. Little writing about FSCs has so far examined the role of the Head Office within the company, and how important it actually was as an organising force. Again its physical size and what activities were carried out there will be considered – perhaps most important here being the location of executive power within the firm and whether this was located in Scotland or in the host country. Those companies where management was concentrated in the host country would clearly tend towards seeing the FSC as almost a portfolio investment, and if a company based its management in Scotland this would tend to regard the FSC as a direct investor. The role of the board is also important here as directors may choose to actively oversee the operations of their company in the host country, or take a more laissez-faire approach with little or no interest in operations. Important in this is the question of whether Scottish management and/or oversight had anything to offer these businesses in terms of an outlet to market, increasing productivity, introducing new skills or resources, or recruitment, or whether such a presence simply created an internal rent seeking element which impeded corporate performance.

Overall the thesis intends to create a new account of Free-Standing Companies headquartered in Scotland. It examines to what extent the FSC being headquartered in

Scotland was important in the success or failure of these companies. More widely it will add to the debate around the management of FSCs, looking not only at the extent to which they were managed from the home country but also at how far they internalised information flows. An important facet of the enquiry has been the examination of the borders of the FSCs as firms, looking at which functions were internalised and which were not, to assess how far these companies could be considered to fit with Wilkins' prescribed pattern or perhaps had a wider role than she suggested. The cross country comparison adds to this, as this thesis examines how far FSCs hosted in different countries were managed differently and management of FSCs in the British Empire (represented here by Australia and New Zealand) differed from that of FSCs in the US. The choice of companies also allows for some comparison between those whose host countries were relatively more or less distant from Scotland.

Chapter 2 – Literature Survey

This chapter lays a historiographic and empirical foundation for the rest of the thesis. The chapter examines the existing literature relating to this topic, and its shortcomings and places this thesis within the literature.

2.1 Introduction

This literature survey examines a selection of secondary literature relating to the concept of the free-standing company (FSC) as well as looking at some broader literature around the topic of British foreign investment. It mostly relates to studies of the behaviour and formation of free-standing companies originating in Great Britain in general (or indeed in other countries such as the Netherlands), as this is the side of the topic much of the literature deals with. It critically examines the existing literature that looks at Scottish FSCs in particular. Some work looking at the specifics of the international sides of the industries involved in the thesis is examined, particularly in the cases of the livestock farming and copper industries. Most of the studies looked at are based on the period roughly between 1850 and 1914 although the principle of free-standing companies is in no way unique to this time period. Indeed, free-standing companies continue to emerge in the present era – one such recent example at the time of writing has been the Australian based gold exploration project of Scotgold Resources Ltd.[66] However, 1870-1914 is considered to have been the most important period for FSC formation.

[66] Scotgold Resources Ltd. is an Australian registered company established in 2007, with a listing on the Australian Securities Exchange and its Head Office is in Perth, Western Australia, making it a classic example of a free-standing company. It has secured a series of 'tenements' giving exploration rights to prospect for gold in the Tyndrum area of the Scottish west highlands, and has been carrying out test drilling at two sites. Encouraging results were reported to the ASX in an exploration report published on 8th January 2009; it remains to be seen if the company will successfully manage to exploit these reserves.

2.2 Wilkins and her followers

As noted in **Chapter 1**, the term 'free-standing company' was coined by the American business historian Mira Wilkins,[67] first in her 1986 book chapter 'Defining a firm: history and theory' and then in her 1988 article 'The Free-Standing Company, 1870 – 1914: an important type of British foreign direct investment'.[68] Wilkins looked at the FSC as a general theme and used a few examples of FSCs to illustrate her thesis. She suggested that FSCs were rarely integrated firms as such, instead being reliant on networks, or clusters of agency houses or other intermediaries for management purposes. This was necessitated by the characteristic inexperience of FSCs, and Wilkins put forward the view more generally that a lot of FSCs failed because they were unable to develop a management system suitable for their purposes. There is a Chandlerian influence to Wilkins' hypothesis here, particularly as some of Wilkins' examples of failed FSCs are those operating in the US. She also contends that many of the surviving FSCs based in the US converted to US registration. The pro-Chandlerian bent of Wilkins' work provoked a strong reaction from business historians, especially those studying the UK.

The reaction to Wilkins' work brought a number of different responses, some of them more complimentary than others. As many as 38 articles have appeared citing Wilkins 1988 article,[69] some being single company studies seeking to place the experience of certain companies within the Free-Standing bracket, others more theoretical and seeking

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See Scotgold Resources Ltd., *Corporate Website* (2008 [cited 2nd March 2009]); available from http://www.scotgoldresources.com/., and C. Sangster, *Drilling Results at Coronish Gold-Silver Project in Scotland* (Scotgold Resources Ltd., 2009 [cited 2nd March 2009]); available from http://www.scotgoldresources.com/assets/pdf/asx/090108_Drilling_Results.pdf.

[67] Wilkins, "Defining a Firm: History and Theory."

[68] Wilkins, "The Free-Standing Company, 1870 - 1914: An Important Type of British Foreign Direct Investment."

[69] Ibid.

to criticise the concept in general.[70] Wilkins later followed up the original article in the introductory chapter of a 1998 edited collection on FSCs in which she surveyed the work done by other historians on the topic and provided some new analysis.[71] In this she widened the field of interest somewhat, realising that free-standing companies were not tools of British capitalists alone but were common to those in a wider range of 'source-of-capital countries', particularly other European countries such as the Netherlands and Belgium, and even the US.[72] With reference to Schmitz,[73] who will be discussed in more detail below, she further differentiates the free-standing form from the investment trust model as the investment trusts did not make direct investments abroad. At the end of the chapter is a short explanation in which she suggests that British entrepreneurs went overseas in search of new opportunities due to a lack of such opportunities at home, while American firms were still concentrating on meeting the potential of their home market.[74] Britain also had a competitive advantage in its financial infrastructure, which was at that stage the best developed in the world and had an enabling web of trading links. Certainly Scotland appears at that time to have possessed a financial structure of high sophistication, with a comparatively large number of banks. It also had a web of existing trading links with other parts of the world, much as its English counterparts did.

Moving on to other theorists, in 1994, T. A. B. Corley made reference to the concept in two articles. In the first, 'Britain's Overseas Investments in 1914 Revisited',[75] Corley

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[70] Checked with ISI Web of Knowledge, 4th December 2008.
[71] Wilkins, "The Free Standing Company Revisited."
[72] Ibid., pp.33 - 40.
[73] Schmitz, "The Nature and Dimensions of Scottish Foreign Investment."
[74] Wilkins, "The Free Standing Company Revisited," pp. 40 - 41. Earlier in the chapter, on page 10 Wilkins refers to the classic Cairncross and later Edelstein interpretation that Britain was a nation of rational investors who invested abroad because they could get a higher return than at home, especially a better return than that available from holding consols (government debt). A. K. Cairncross, *Home and Foreign Investment, 1870-1913* (Cambridge: 1953)., M. Edelstein, "Overseas Investment in the Age of High Imperialism: The United Kingdom, 1850 -1914," (1982).
[75] T. A. B. Corley, "Britain's Overseas Investments in 1914 Revisited," *Business History* 36, no. 1 (1994).

briefly considers the distinction between a Free-Standing Company and a multinational, suggesting along with Wilkins that a multinational lies closer to American practice in having more activities in its home country than a purely symbolic head office. He furthers the idea slightly by suggesting that British FSCs had a particular competitive strength originating in the background of their directors who often came from overlapping social groups. While the expected solicitors and accountants as well as managers of trading companies might be there, individuals with backgrounds in mining, brewing, and foodstuffs manufacture were also involved. It is worth considering in more detail what these people's links with these industries in Britain were. These issues will be considered further in **Chapters 5** and **7** where the links between Free-Standing Companies investing in livestock industries in Australasia and the US and the meat import industry in the UK will be expanded upon. If these individuals were closely linked to these industries, then presumably their expertise would be called upon in establishing the new FSCs, at least in an advisory capacity. Most usefully for the purposes of this thesis, Corley adds that the core issue here is to what extent FSC type companies were controlled from their home country and whether the control was often so weak that these companies could actually be considered portfolio investments.

Corley notes that in a 1974 article focusing on manufacturing multinationals John Stopford had identified a third group of investments apart from portfolio and direct, 'expatriate'. This concept sounds a little like Wilkins' later FSC concept in that these were companies that were not controlled directly from the UK but sometimes had a financial shell in Britain.[76] Corley suggests that all such expatriate companies should correctly be considered distinct from direct investment, but overlooks that Stopford mentions that these expatriate firms might have a financial shell in the UK, which

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[76] J. M. Stopford, "The Origins of British-Based Multinational Manufacturing Enterprises," *Business History Review* 48, no. 3 (1974): pp. 305 - 308.

would suggest some sort of Head Office function, even if very nominal. Wilkins also argues that not all Stopford's expatriate firms are FSCs, but what all three authors seem to overlook is that the term expatriate suggests a firm that is owned by emigrants (though perhaps with some home shareholding), has its Head Office in the country to which its owners had migrated, and has its operations in that country too. Arguably, then, such a business would not represent any form of foreign investment if there were no home shareholders, and if there were, it could be categorised as a portfolio investment.

Corley's other 1994 article[77] was written in response to an article by Hennart[78] in which it was suggested that FSCs had emerged as a means of exporting capital. This was a type of 'internalisation of intermediate factors' with finance as an intermediate factor substituting for those more often held by multinational enterprises such as knowledge, raw materials, or distribution services. According to Hennart, FSCs were often found in high risk undertakings, particularly mining, in which capital could not be invested into collateral and were thus unable to raise loan finance, meaning that equity based solutions were the answer to this problem.[79] This contention arises from the idea that FSCs were concentrated in the speculative mining industry – although as **Chapter 3** will illustrate the speculative mining industry was important, but not the sole area of interest to Scottish FSCs. A mine is worthless if it contains nothing but on the other hand a cattle ranch, if it fails, still has its land which can probably be put to a more profitable alternative use. The assumption is made here by Hennart that FSCs usually emerged in sectors requiring little capital; yet mining often requires a large amount of

[77] T. A. B. Corley, "Free-Standing Companies, Their Financing and Internalization Theory," *Business History* 36, no. 4 (1994).
[78] J.F. Hennart, "International Financial Capital Transfers - a Transaction Cost Framework," *Business History* 36, no. 1 (1994).
[79] Ibid., p. 60.

engineering work which would suggest a necessity for higher capital, in larger scale cases at least.

Hennart also seems to assume that the entrepreneurial impetus for the FSC must always come from the host country rather than the home country, and that the company internalises only the raising of capital.[80] Corley, by contrast, argued that FSCs were capable of more internalisation than Wilkins' original specification may have allowed for. The existence of capital and the need to provide a conduit for it were not the sole motivations for establishing a Free-Standing Company. Corley argues that entrepreneurship was at least equally essential. Indeed, he goes further and uses practical examples to challenge Wilkins' original assertion, quoting Nicholas, that the headquarters of most FSCs consisted of little more than "a brass nameplate some place in the City".[81] Corley contends this probably depended in part upon the industry structure in which the Free-Standing Company operated, and uses the example that the Burmah Oil Company may have left routine sales to be carried out by its managers in Burmah but overall marketing policy remained in the hands of Head Office.[82] It would seem unlikely that a company such as Burmah whose main market remained in its country of origin would leave marketing to management in its host country, as sales relationships would be better built up with close contact with potential customers. This seems particularly likely to be the case with companies which targeted their sales in the United Kingdom, but would be less likely in the case of a ranching and meat packing

[80] Ibid., p. 53. On the chart on page 53 it is assumed that foreigners are the entrepreneurs seeking capital, and thus selling shares to the public. Some FSCs undoubtedly fitted this model, but this is not exclusively true – not all FSCs consisted of schemes put forward by representatives from the host nation, and not all FSCs required an IPO in the head office country.

[81] Corley, "Free-Standing Companies, Their Financing and Internalization Theory," p. 115. The examples looked at were the Imperial Continental Gas Association, the Assam Oil Company, the Liebig's Extract of Meat Company Ltd., and British Multinational Banks, though this drew on the work of others. Wilkins, "The Free-Standing Company, 1870 - 1914: An Important Type of British Foreign Direct Investment," p.264., Nicholas, "British Multinational Investment before 1939," p. 606.

[82] Corley, "Free-Standing Companies, Their Financing and Internalization Theory," p. 115. Corley was drawing here on his previous work on the Burmah Oil Company – see Corley, *History of Burmah Oil*.

company operating in the American Mid-west and marketing its products on the US East Coast.

Hennart[83] and Corley[84] returned to this discussion in 1998 with their respective chapters in Wilkins and Schroter's edited collection *The Free-Standing Company in the World Economy 1830 – 1996.* Hennart continued to develop the transaction cost rationale for the FSC by suggesting that trading companies might create FSCs that could act as their own customers. For instance, Hennart draws on the work of Peter Hertner to show that electrical equipment firms in Germany created FSCs that were dependent upon them in some way, such as establishing electric tramways or electrical supply companies.[85] This linked back to Wilkins' original hypothesis that trading houses acted as a nexus for much FSC activity – Hennart extended this by implying that such houses could attempt to control all stages of the production chain. Risk in setting up extractive ventures could be divested with equity, and the trading firms were kept 'small and nimble' and presumably safely within private hands. [86] Thus according to this account FSCs were not really Free-Standing but only part of larger unincorporated multinational structures. Hennart might have taken this a little further; unfortunately he does not examine whether these chains of dependency were long lasting.

Meanwhile Corley built upon his earlier work with Burmah Oil by suggesting that Wilkins' idealised model of a firm operating in one country with a minimal Head Office in another was unlikely to exist in practice, again arguing that Head Offices in 'overseas firms', which he argued were not identical to FSCs, would inevitably expand their

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[83] J.F Hennart, "Transaction-Cost Theory and the Free Standing Firm," in *The Free Standing Company in the World Economy 1830-1996*, ed. M. Wilkins, and Schröter, H. (Oxford: 1998).

[84] T. A. B. Corley, "The Free-Standing Company, in Theory and Practice," in *The Free - Standing Company in the World Economy 1830 -1996*, ed. M. Wilkins, and Schröter, H. (Oxford: 1998).

[85] Hennart, "Transaction-Cost Theory and the Free Standing Firm," pp. 71-72, P. Hertner, "The German Electrotechnical Industry on the Italian Market before the Second World War," ed. G. Jones and H. Schröter (Aldershot: 1993).

[86] Hennart, "Transaction-Cost Theory and the Free Standing Firm," p. 72.

activities to the governance of the whole business. Corley argued that Wilkins' typical FSC with a minimal Head Office did not exist, although most of the evidence he uses comes from successful companies in the oil industry.[87] Corley makes the point that individual firms perhaps need to be analysed on a case-by-case basis, with generalisation being difficult if not impossible, arguing that the concept of the Free-Standing Company should be re-examined along more scientific lines than hitherto.[88] However, this thesis has found plenty of evidence that 'overseas companies', or FSCs with only minimal Head Offices, did exist in Scotland – two of these are examined in detail in **Chapter 6.**

A more useful theoretical chapter in Wilkins' edited 1998 volume was contributed by Mark Casson, who used a series of matrices and diagrams to explore different types of Free-Standing Companies, usefully identifying four types based on whether they exported information or technology.[89] This was partly intended to be a critique of Hennart's transaction costs approach, but is useful as Casson is arguing that FSCs could operate as quasi-multinationals if their role was to export information or technology – but could potentially still fall into the category of FSC, at least superficially. Casson argued that FSCs could be tools for networks to avoid concentrating too much risk into the same firm – and that even the use of managing agencies could be key to this as the separation of ownership from management helped further diminish this risk. Hold-up

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[87] Corley, "The Free-Standing Company, in Theory and Practice," pp. 143-145. Corley tries to argue that the FSC does not exist as a distinct concept from an 'overseas company' and so was not an unusual or different type of firm. However Wilkins' FSC concept has made two important contributions that Corley does not address – 1. It has differentiated these companies from portfolio investment and 2. It has helped to distinguish the specific 'headquartered in one country but operates in another' style of firm from multinational or expatriate capitalism in scholars minds.

[88] Ibid., p. 129.

[89] Mark Casson, "An Economic Theory of the Free-Standing Company," in *The Free Standing Company in the World Economy, 1830-1996*, ed. Mira Wilkins and Harm Schröter (Oxford, UK: 1998), p. 108. Type A exported both information and technology, and so was considered a multinational direct investor, Type B exported only information and was considered a direct investor, Type C exported only technology and so was considered quasi-multinational and Type D exported neither information nor technology and so was considered to be a Free-Standing Company as Wilkins had described it.

problems encountered in one area of a large firm's operations were less likely to have financial knock-on effects for the entire firm. Another crucial contribution is the idea that a lot of management activity could still take place in the home country, but not at the legal headquarters of the firm. Instead access to markets, either to raise Bills of Exchange to finance trade, or to hedge risks by purchasing futures, as well as for marketing purposes could be important for FSC principals.[90] This work has some relevance to this thesis in looking at the different internalisation models encountered, although the managing agency itself does not seem always to have been crucial to the operations of FSCs – in fact, two of the companies looked at in this thesis, the Arizona Copper Company and the Matador Land and Cattle Company, did not rely on managing agencies at any stage in the host country.

There is also the possibility that managing agencies themselves could be considered FSCs in the sense that they often had a base in the home country as well as in the operating country, but no interests in the home country except for their shareholding in the FSC. Trading firms such as Jardine Matheson, the Swire Group and the Mackinnon Group among others often used their head offices in London or Scotland to promote free-standing companies before using their offices in host countries to help manage them.[91] On the other hand, while such trading groups may arguably have constituted single firms they were not generally single companies in terms of registration, usually having more complex structures. Such trading groups generally used FSCs to contain risk within a certain business activity. Some managing agencies, such as the stock and station agents of Australasia, did not have a home country base, and were examples of emigrant capitalism. One such example is George Gray Russel & Co. of Dunedin and Timaru, established in 1864 by Scottish emigrants in New Zealand, which assisted the

[90] Ibid., p. 124.
[91] G. Jones, *Multinationals and Global Capitalism - from the Nineteenth to the Twenty First Century* (Oxford: 2004), pp. 110-113.

New Zealand and Australian Land Company, dealt with in **Chapters 4** and **5** to become established.[92]

One of the earliest articles to take account of Wilkins' theory of FSCs was published in 1990 when Charles Harvey collaborated with Jon Press in a more general study of international mining, effectively applying Wilkins' idea to this industry in cases previously considered to represent portfolio investment.[93] This article concentrated exclusively on the contribution of the City of London to the phenomenon of FSCs that were formed to pursue mining claims outside the UK. Harvey and Press examine in a broad way the use of the London stock exchange to float as many as 8,400 such companies between 1880 and 1914, although very few of these attempts generated any serious activity. Harvey and Press carry out a survey of companies listed on the stock exchange in three years – 1875, 1894 and 1913 - to identify the levels of capital employed in these ventures. It is unfortunate that the scope of a journal article and time constraints did not allow for a large survey of every year between 1870 and 1914. Unsurprisingly, the number of companies registered per annum rises from 39 in 1875 to 957 in 1913 and the total invested rises from £11 million to £240 million, with no indication of any peaks or troughs that might have existed between the dates.[94]

In spite of the difficulties with the quantitative side of Harvey and Press' analysis, they provide us with a possible model of a typical free-standing company promotion in the mining industry. In this they suggest that the usual pattern started with the purchase or discovery of a theoretical mineral claim by a professional promoter who would promote a company purely with the aim of selling the claim to the company. This company would in many cases collapse quite quickly from simple lack of expertise either in

[92] G. Parry, *N. M. A.: The Story of the First 100 Years* (Dunedin: 1964), pp. 7-18.
[93] Harvey, "The City and International Mining, 1870 - 1914."
[94] Ibid., pp. 101-102.

mining or administering an international business, while the promoter escaped relatively unharmed.[95] H. Osborne O'Hagan, one such nineteenth-century company promoter, tells a similar story in his memoirs regarding the promotion of the Little Annie Gold-Mine.[96] This pattern seems plausible although Harvey and Press do not consider the realistic potential for such a pattern to continue in the marketplace unchecked for several years. More usefully, Harvey and Press focus on the fact that the entrepreneurial impetus for FSCs in the mining industry often came from the host country. This could have further implications for control if a company was successfully floated, although here Harvey and Press seem to assume that such a company would always undergo a stock market flotation.

An important recent contribution on the subject of international business is Geoffrey Jones' *Merchants to Multinationals* of 2002, which aimed to test the theories of Wilkins and Chapman by focusing on the role of merchants and trading companies in clusters.[97] Here Jones was, like Chapman, primarily interested in the investment groups themselves rather than the Free-Standing Company – for Jones the FSC was merely a tool for these investment companies to operate within. Jones focused largely on merchant groups based in London and involved in the trade with Southern and Eastern Asia, and on Free-Standing Companies based in London and hosted in the same region. The main Scottish groups of interest to Jones were the Finlays, and Mackinnon McKenzie & Co, both of whom were mostly interested in South Asia.[98] According to Jones, trading companies were able to use the limited liability of FSCs to gain a 'badge

[95] Ibid., pp. 110-111. This could perhaps have been better displayed with a flow diagram to give a clear idea of the process.
[96] H. O. O' Hagan, *Leaves from My Life* (London: 1929).
[97] G. Jones, *Merchants to Multinationals: British Trading Companies in the Nineteenth and Twentieth Centuries* (Oxford: 2000).
[98] Ibid., pp. 31-32.

of respectability' to encourage individuals to invest in their extractive businesses.[99] Jones also argues that real management control was present within the FSCs in these groups, being exercised from Britain. What remains unclear from Jones' book, however, is how FSCs that were not part of a wider trading cluster were managed, or whether a trading cluster was essential for FSCs to operate successfully. This thesis will look mostly at FSCs that, while often being associated with financial groupings, were not associated with trading houses as Jones would understand them, although a role often remained for local intermediaries.

2.3 Scotland Specific Approaches

Of some practical yet limited interest has been some of the literature on company formation in the second half of the nineteenth century. H. A. Shannon's 1933 survey of the limited companies registered in England between 1866 and 1883 made a modest start to evaluating the stock of limited companies but influenced later literature.[100] Shannon mostly provides statistics for the companies without considering the reasons or practicalities behind their formation except the existence of the 1856 Joint Stock Companies Act and subsequent adjustments. In 1980 P. L. Payne made greater progress in this area of study with his statistical analysis of Scottish Limited Companies founded between 1856 and 1895.[101] As well as studying the numbers of companies in existence some thought is put into explaining their existence as well as their longevity. In doing this Payne finds that the 'average' (actually the mean) length of survival for a mining or quarrying 'overseas company' founded between 1856 and 1895 was 6.4 years.[102] He also finds means for companies in other sectors but does not differentiate between the

[99] Ibid., p. 343.
[100] H. A. Shannon, "The Limited Companies of 1866 - 1883," *Economic History Review* 4, no. 3 (1933).
[101] Payne, *The Early Scottish Limited Companies, 1856 - 1895*.
[102] Ibid., p. 101.

domestic and overseas spheres.[103] Payne gives some aggregate capitalisations for companies involved in 'overseas investment' between 1861 and 1895, and discusses the subject to some extent in the text, but with little analysis.[104] He does not compare the amount of limited company activity involved, respectively, with foreign and domestic investment. Doing this could shed some further light on the usefulness of the registration system and the attractiveness of the FSC to the small investor as compared to domestic based firms. His most interesting piece of analysis is his attempt to test econometrically the hypothesis that called-up capital at the birth of a company in some way influences its longevity. His regressions turn out to be statistically insignificant and suggest that starting capital was irrelevant.[105] Such factors may prove difficult to define, however; each case is empirically different and these analyses do not take into account managerial issues within firms particularly in terms of viability, productivity or demand based problems.

Following on from Payne, Schmitz (1997)[106] presents detailed numbers relating to Scottish foreign investment but makes only minor reference to Wilkins' concept of Free-Standing Companies. His rationale for this is that Wilkins has complicated the issue of portfolio investment. Schmitz sees that firms formed to operate overseas were intended to exist in a more speculative 'hands off' fashion than Wilkins suggests. Many hundreds of FSCs were likely to be included in his survey of the registration files of some 784 companies formed to operate abroad. Indeed, Wilkins, in her 1998 book chapter,[107] returns to his data and separates as many as 87 investment trusts from

[103] Although Payne discusses some of the bigger schemes to a limited extent, his real interest is in examining the Scottish scene overall.
[104] Payne, *The Early Scottish Limited Companies, 1856 - 1895*, p. 80 (foldout table).
[105] Ibid., pp. 102-103.
[106] Schmitz, "The Nature and Dimensions of Scottish Foreign Investment."
[107] Wilkins, "The Free Standing Company Revisited."

Schmitz's sample, suggesting that the remaining 697 are possible FSCs.[108] The product of Schmitz's survey is a quantitative analysis which gives some figures for survival and also considers the sector in which the companies were placed. Most interestingly, Schmitz finds that the mean lifespan for all sectors was 19 years but only 8.1 years in mining, suggesting a higher failure rate in that sector.

The scope of this article is somewhat limited as Schmitz is really only interested in capital export rather than extending into entrepreneurial initiative. On this topic Schmitz carries out a survey of the locations and types of persons that held foreign assets or shares in companies intended to operate abroad. However, more work needs to be done here to examine the hypothesis that Scottish investors often invested in firms headquartered close to their homes. Schmitz also examined many limited companies in his survey but does not consider the Wilkins hypothesis that merchant houses acted as organisers of clusters of limited companies. Another problem is that Schmitz does not consider the fact that though investment trusts were founded with the primary intention of purchasing securities or selling mortgages abroad, their operations were largely carried out in Scotland.

Another work which presents an overview of Scottish foreign investment is Ranald Michie's 1981 study of Scottish financial history.[109] When examining foreign investment Michie concentrates on activity centred on the regional Stock Exchanges in

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[108] Schmitz principally used the National Archives of Scotland's BT2 Companies House registration files on dissolved companies to carry out his survey – this is the same body of archives used in **Chapter 3**. Schmitz was sponsored by the ESRC, grant number R000232212 to undertake this research. Unfortunately this pre-dated the present (2009) ESRC practice of publishing reports on their website but the research was published as the aforementioned Schmitz, "The Nature and Dimensions of Scottish Foreign Investment."

[109] Michie, *Money, Mania and Markets: Investment, Company Formation and the Stock Exchange in Nineteenth - Century Scotland.*

Scotland, and mentions a number of the more prominent Scottish FSCs. He also theorizes a little about motives for investing abroad, suggesting that it may have become attractive because of a lack of other investment opportunities in Scotland at that time. In a country with rapid economic growth, land was at a premium and therefore relatively expensive, with little chance of improvement in value. This problem was probably exacerbated by the feu duty system whereby the owners of land continued to pay an annual fee to its previous owners, potentially continuing along a long chain of owners.[110] This could mean that property investment was restricted by very low margins above rents so may not have been such an attractive option, while in the post Napoleonic era the national debt was being reduced and so there were fewer and more expensive issues of government stock. Evidence relating to returns from domestic stocks is contradictory. Edelstein suggests that the returns from domestically-based public transport systems were very high in the 1870s and 1880s although little specific economic history has been written on this subject.[111] However, Michie gives much useful material about the stock exchanges as institutions, providing some useful background information. An interesting fact is that the formation of the Dundee stock exchange in 1879 appears to slightly precede the rush of interest in ranching firms in the early 1880s, a possible link which authors on the topic seem not to have examined.

2.4 Country- and case-based approaches

The classic study of the topic of British foreign investment in general was by Davis and Huttenback,[112] who examined the British Empire in general from an economic perspective, in terms of the direction of investment, as well as looking at the profit and

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[110] Clive H. Lee, "Scotland 1860 - 1939: Growth and Poverty," in *The Cambridge Economic History of Modern Britain*, ed. R. Floud, and Johnson, P. (Cambridge: 2003)., p. 448.
[111] Edelstein, "Overseas Investment in the Age of High Imperialism: The United Kingdom, 1850 -1914." p. 123.
[112] L. E. Davis, and Huttenback, R. A., *Mammon and the Pursuit of Empire* (Cambridge: 1987).

loss account of maintaining the Empire. The emphasis is mostly on the relation of the UK as a whole, especially London, to the Empire, although the overall examination provides some useful figures. Particularly of interest in the Scottish case is the claimed loss of $18m between 1884 and 1900 in US cattle ranching. According to Davis and Huttenback, India was a more important destination for capital than many writers suggest; extractive industries were particularly important around the dependent Empire. Probably Davis and Huttenback's most interesting question is whether it was rational for the UK's economic actors to invest in the Empire. However, their analysis perhaps suffers from being very general in scope without concentrating on (especially firm-) specific types of investment. Firm specific case studies can help us further in thinking about rationality and transaction cost issues, and as **Chapters 4** and **5** show Free-Standing Companies had an important role in binding together the imperial system.

Turning to country and company studies relevant to this thesis, relatively little has been written about Scottish business in Australia or New Zealand in the business history literature, although social historians have helped by mentioning Scottish business in the emigration literature to some extent. A pioneering contribution in this area was David Macmillan's article in Payne's classic 1967 compendium *Studies in Scottish Business History*.[113] This article looks at the subject almost from the first settlement of Australia by the British in the late 18th century, tracing the development of Scottish interest in commerce there from early merchant activity in Sydney through to the involvement of James Morton and the New Zealand and Australian Land Company (NZALC) in the 1870s. Other subjects dealt with include the evolution of Scottish-Australian commerce through early trading firms and early trust style companies, although the article does not show clearly how these different trends blended together as the pastoral industry in

[113] Macmillan, "Scottish Enterprise in Australia, 1798-1879."

Australia became more established. The page about James Morton and his entry to the Australian mercantile scene after the success of the Scottish Australian Company is of use, although it shows the need for more concentrated research on the NZALC. Macmillan refers to the NZALC as the 'New Zealand Land Company', and attributes its organisation to Morton in the early 1870s.[114] As noted in **Chapter 4**, this company was established almost a decade earlier in 1866. Further, Macmillan has comparatively little to say about the later activity of the NZALC and its development as a trading system, which became quite sophisticated even before the end of Macmillan's period of reference in 1879. Macmillan's work concentrates on the NZALC's role in the wider economy rather than examining the effects of its internal structure upon the wider economy.

Among the emigration literature Gordon Donaldson's 1966 *The Scots Overseas* is an important monograph looking at Scots emigration to a variety of countries, including Australia, New Zealand and the US.[115] Donaldson does not deal with the links between emigration and foreign investment, and more specifically the possibility that the overseas companies that came to be known as FSCs, facilitated emigration by sending employees abroad. This thesis asks how Scottish these FSCs actually were and how far managerial control extended into the host countries of FSCs. It is plausible to assume that would include sending Scottish employees to the host country, something that Wilkins does not specify. Later work on emigration is a little more fruitful in this direction. Tom Brooking's article on New Zealand in R.A. Cage's 1985 edited collection on Scottish emigration has a short section on the Canterbury and Otago

[114] Ibid., pp. 340-341. The New Zealand Land Company did exist, but much earlier – it was set up in 1839 to purchase land from Maori chiefs to sell on to colonists. G. Donaldson, *The Scots Overseas* (London: 1966), p. 167.
[115] Donaldson, *The Scots Overseas*.

Association and the NZALC.[116] There is little space to outline much of these two companies' development as trading systems, although the NZALC's later achievements in exporting frozen meat and dairy products as well as the company's expertise in breeding are noted. It is unclear how this material was sourced as the section lacks footnotes, but for certain it does not go far in explaining how the NZALC actually worked as an organisation.[117] Eric Richards's section on Australia in the same volume does not mention the NZALC but briefly considers the role of Scottish capital in Australia, although not FSCs.[118] The role of the Scots in filtering funds for banking is considered as well as their part in founding early pastoral companies, and obviously these developments were instrumental in establishing the grounds for FSCs to come in later. Bernard Aspinwall's contribution, 'Scots in the United States', is perhaps least useful as it focuses almost entirely upon social mobility and entrepreneurism among Scots already in the US.[119]

The most important recent contribution to the emigration literature has been Malcolm Prentis's *The Scots in Australia*, of which a new and updated edition was published in 2008.[120] Prentis's book is a social history of the migrants although he also extends the sphere into pastoralism and business more generally. Prentis builds a relatively comprehensive view of the Scots' contribution to Australian agriculture and commerce in this period, looking at involvement across a range of agricultural specialisms and business areas, particularly in mining, banking, shipping and manufacturing. The study takes a qualitative approach, looking at people and firms on a case by case basis, which

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[116] T Brooking, "'Tam McCanny and Kitty Clydeside' - the Scots in New Zealand," in *The Scots Abroad, Labour, Capital, Enterprise, 1750-1914*, ed. R. A. Cage (Beckenham: 1985), pp. 168-169.
[117] Ibid., p. 168-169.
[118] Richards, "Australia and the Scottish Connection, 1788-1914."
[119] B. Aspinwall, "The Scots in the United States," in *The Scots Abroad, Labour, Capital, Enterprise, 1750-1914*, ed. R. A. Cage (Beckenham: 1985).
[120] The original edition was M. C. Prentis, *The Scots in Australia: A Study of New South Wales, Victoria and Queensland, 1788-1900* (Sydney: 1983). This was then improved and extended to cover the rest of the country in Prentis, *The Scots in Australia*.

does make typicality within the book hard to establish. Probably the most puzzling thing about Prentis's study however, given the insistence on this approach, is the lack of any mention of the NZALC, not only an important Scottish influence in Australian economic development and pastoralism but, as **Chapters 4** and **5** note, a source of young and skilled immigrants. Although the exact number of immigrants that NZALC was responsible for remains unclear, Prentis's book follows a qualitative model looking at individuals as well as large groups of immigrants, and so it might be thought that the skills of the NZALC staff would be worth a mention.

Turning to the US side and back to the Business History literature, probably the most comprehensive book published on Scottish FSCs in this period was W. Turrentine Jackson's 1968 classic *The Enterprising Scot: Investors in the American West after 1873*.[121] This landmark monograph is still the definitive work on Scottish investment activity in the Western US in this period, although there remains room for improvement. Jackson looks across the board at a range of activity – starting with the investment trusts in Edinburgh and Dundee, and then widening out into Scottish involvement in US mortgaging, railroads, cattle, mining and forestry. Some of the companies looked at by Jackson, particularly in railroads, cattle, mining and forestry, fit into the FSC category, including an entire chapter on the cattle FSCs (actually based on his earlier work)[122] and a further chapter on the Arizona Copper Company, which is also examined in **Chapter 6** of this thesis. *The Enterprising Scot* was also an important inspiration for Wilkins in defining the Free-Standing Company as she drew on it for her standard history of foreign investment in the United States, and she stated in the 1998 article that working on that project was an important reason for believing that a new term was required to

[121] Jackson, *The Enterprising Scot: Investors in the American West after 1873*.
[122] W. Turrentine Jackson, "British Interests in the Range Cattle Industry," in *When Grass Was King: Contributions to the Western Range Cattle Industry Study*, ed. M. Frink, W. Turrentine Jackson, and A. Wright Spring (Boulder, Colorado: 1956).

define such companies.[123] Jackson's real interest in *The Enterprising Scot* is in examining investment rather than management. The book is very readable but lacks a framework, and to a large extent does not analyse clearly enough the relations between the Scottish Head Office and shareholders and the operational staff in the US. Jackson attempts to come up with a balance sheet to measure the overall success or failure of Scottish investment, but it is left unclear if successful firms shared any specific characteristics, or if there were any particular models for success. When looking at the individual companies Jackson tends to concentrate on their activities in the US, without focusing much on the relative difficulty of controlling these assets from Scotland. This thesis will improve upon Jackson by looking more closely at the relations between the Scottish side of companies and the operational side in the US, with a particular emphasis on where managerial power was located within the firm.

Another key study in the history of Scottish FSCs is W. G. Kerr's 1967 study of Texan ranching, which Kerr followed with a chapter in his 1976 book *Scottish Capital on the American Credit Frontier*.[124] This studies in some detail the mania of the early 1880s for setting up ranching firms in Texas which seems to have pervaded the capital markets in Edinburgh and Dundee, and to some extent, London. According to Kerr, however, most of the fascination with this involved Edinburgh and Dundee and as many as nineteen possible FSCs were formed there, although only about five were successful in the long run. Kerr's real interest in the later book is in the mortgage and investment trust business, although he suggests that the interest in the cattle industry helped to feed back into the mortgage industry, where linkages were possible via agent-sharing. Kerr carried out a lot of research into the boards of the various cattle companies in Edinburgh

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[123] Wilkins, *The History of Foreign Investment in the United States to 1914*. Wilkins, "The Free Standing Company Revisited," p. 6.

[124] Kerr, "Scottish Investment and Enterprise in Texas.", Kerr, *Scottish Capital on the American Credit Frontier*.

or Dundee but fails to give the reader a good sense of what the role of these boards actually was. Further, the point is made that the management of the Matador Land and Cattle Company was important to its success but the actual management of this company is not elaborated on to any great extent.[125] Kerr does make the point that promoters of the earlier investment trusts often crossed over into the apparently more risky promotion of cattle firms (and, as Jackson had already shown, mining companies too). However, this may miss the point somewhat as the cattle companies potentially allowed for some risk spreading away from the investment trusts. A related investment in a complementary industry in newly opening areas of the US could encourage agglomeration. Kerr also notes the significance of the JA Ranch, privately-owned but backed by the Texas Land and Mortgage Company. However, Kerr does not tell us a great deal about it, probably because its private ownership did not leave behind a lot of evidence.[126]

The one company looked at in detail in this thesis that already has a corporate history written about it is the Matador Land and Cattle Company, the fortunes of which were chronicled by W. M. Pearce.[127] The Matador was a Texan cattle ranching concern which was purchased by a Dundee based limited company during the ranching mania of the early 1880s. Pearce provides us with a reasonable company history, although he gives relatively little financial data about the firm. He focuses mainly upon the firm's operations in the US and Canada and particularly upon the relationships between individuals within the firm. Perhaps most interestingly for this study, he also spends some time looking at the communications which survive between Dundee and Texas, particularly the use of telegraph and the use of ciphers to save text length in telegrams. In addition many letters are reproduced in full. Pearce draws our attention to the

[125] Kerr, *Scottish Capital on the American Credit Frontier*, p. 7.
[126] Texas Land and Mortgage was among the Scottish sponsored mortgage companies. Ibid., pp. 55-56.
[127] Pearce, *The Matador Land and Cattle Company*.

difficulty of running an FSC well, without showing an awareness of the wider implications of his study. This is an issue particularly with reference to the great transaction cost and agency problems faced by the Matador as a company operating in a developing territory. In the early 1880s northern Texas was only newly settled, and property rights and other institutions were not well established there. Pearce draws our attention to problems with banking: the Matador also required three different bank accounts held at three different banks to manage funds. Receipts were deposited with the Texas City National Bank in Fort Worth before being exchanged to the UK by New York City based specialists Jesup, Paton & Co., and finally deposited in the British Linen Company, at that time one of the UK's larger commercial banks.[128] Different sets of solicitors also had to be employed for the different jurisdictions, again adding to costs. This could be taken further to find if these more complicated administrative procedures made FSCs more difficult to administer than single country firms. In cases of apparent lean corporate governance it would appear to be a potentially disabling factor.

Pearce's main shortcoming is that as a case study he does not compare the Matador as a firm to its competitors, and particularly not to any indigenous US competitors (indeed it is unclear to the reader whether indigenous competitors exist at all).[129] Wider context on the industry side in the US would be useful as well as on the Scottish side: at present it is unclear why the Matador should be considered important. It would therefore be a useful exercise to compare the Matador further with other Scottish FSCs hosted in the US.

[128] Ibid., pp. 12-13.
[129] In his memoirs, the nineteenth century ranching consultant John Clay refers briefly to a few cattle concerns of the 1880s and 1890s that would seem to have been incorporated in the US, notably the Dickey Cattle Company, though it did obtain loans from Scotland, and the Tolland Company. See Clay, *My Life on the Range*, pp. 87-94, 207. A monograph has also been written about the New York based Francklyn Land and Cattle Company, which was also incorporated in the early 1880s: Sheffy, *The Francklyn Land and Cattle Company*.

2.5 Shortcomings of the literature

The literature approaches this topic from two essentially different directions. First, there is the Business History literature looking from an almost global perspective, and second a wide body of empirical literature investigating specific countries or firms. In particular, previous writers in this topic area have not considered the implications of wider economic theory in relation to their findings about overseas investment originating in Scotland. Part of the difficulty is that such studies have been pursued by specialists in Scottish, US, Australian or social history (as opposed to business history) and thus the question of typicality is not considered. Analyses such as those by Schmitz, Kerr and Pearce also tend to be more empirically based and hence do not consider the enabling factors as much as the factual background involved in furthering overseas based investment. Some, such as Kerr, are somewhat light on quantitative detail and in this way lack a depth which would make for improved understanding. Such articles are a little disappointing to the business historian seeking to test Wilkins' theory on 'overseas companies' based in Scotland which by Wilkins' own admission would appear to provide a very fertile testing ground.

Free-Standing Companies seem to have been extremely important in the Scottish context. Many writers have seen them as merely a financial instrument but this appears unlikely as actual managerial and specialist expertise would have been required to operate successfully any firm with a non-financial purpose. For example, Kerr mentions as many as nineteen different concerns involved in ranching, of which three survived for longer than about ten years in their Free-Standing form.[130] It is not clear whether the failure of the others relates to a lack of expertise in cattle farming or

[130] Kerr, "Scottish Investment and Enterprise in Texas." Kerr mentions that his list is not comprehensive, but in all mentions 17 firms; of these, four are said to have survived beyond 1886-87.

perhaps to the practical problems of operating a business over a long distance. Certainly many of these ranches emerged as a response to perceived specific investment opportunities: in the best documented case, that of the Matador, Dundonian investors formed a company specifically to take advantage of a perceived opportunity. However, the Matador was not intended to be managerially 'hands-off'. The pattern set out by Wilkins was followed – it had a Dundee based board of directors and secretary, and a Texas based manager – but according to Pearce the manager was frequently expected to follow instructions and communicate with the directors by cable and letter. Indeed it appears that the manager did not always stay in touch as much as the directors would have wished.[131] The Dundonian directors also appear to have approached the business with a specific plan to apply their capital to improve the productivity and value of the existing ranch by erecting fences and improving the water supply on the land. This is in contrast to the early practice of employing hands to patrol ranch boundaries; a practice which would appear wasteful in the extreme as cattle were free to wander into lands belonging to other ranches.[132] This practice and the later further enclosure of cattle according to stages of growth may in part have been conditioned by typical Scottish practices, though as **Chapter 7** shows there is little evidence of knowledge transfer in ranching FSCs.

An important strategic aspect of more successful FSCs, such as the Matador and the NZALC, may have been the determination of Scottish directors to keep a close leash on the way that scarce company funds were utilised in the field. The cattle companies referred to by Kerr seem to have obtained substantial proportions of their capital from Edinburgh, Dundee or London and were formed in the midst of a mania. Where Kerr and to some extent Jackson leave us in the dark is why so many firms chose to enter this

[131] See Pearce, *The Matador Land and Cattle Company*., especially the examples of correspondence interchanges on p. 40.
[132] Ibid., p. 8-10.

market and why they subsequently left it so rapidly. **Chapter 3** looks at the amount of capital poured into the American West by Scottish FSC shareholders in the 1880-5 period and how far this capital followed economic growth. On the management side **Chapter 7** examines how the Matador was different from its more short-lived competitors. An alternative scenario would be that the Matador managed to import expertise from Scotland while its rivals did not, or that it managed to find expertise in the US under the guidance of the Dundee board. According to Pearce, the Matador's assistant manager William Sommerville already had experience in the cattle industry in northern Britain; of course this was probably not on the same scale, and Pearce unfortunately does not elaborate.[133] They may also have been helped by the agreement of Henry H. Campbell, one of the Matador's founding managers, to stay on as manager of the new free-standing company. It is possible that the Matador's competitors had failed to make such useful connections, although ultimately numerous other factors such as poor weather or less advantageous geographical positioning of their ranches could be significant in their failure.

Such difficulties may have arisen from problems with information and the likelihood that the proliferation of 'pocket ranchers' in the early 1880s referred to by Kerr led to some fraudulent promotions.[134] For instance, Frank L. Underwood's Kansas City based firm Underwood, Clark & Co. played a role in a variety of promotions both in ranching and in other industries, such as the Arizona Copper Company discussed in **Chapter 6**. Underwood's role is unclear though he may have been similar to the mining promoters referred to by Harvey and Press who promoted FSCs apparently only to sell speculatively bought claims. Possibly he attempted to hold some kind of consultancy role lending expertise to firms in the sense suggested by Wilkins, while not having to tie

[133] Ibid., p. 19. A consistent problem with Pearce is the lack of citations.
[134] Kerr, "Scottish Investment and Enterprise in Texas.", p. 369.

up his own capital in the cluster of firms that he promoted. It is particularly unclear why Underwood did not follow a more sustainable course such as setting up a single large ranching company under his own auspices. Such a firm could have benefited from almost £4 million worth of capitalisation if Kerr's figures on the paid-up capital of the eleven companies based in Dundee alone are to be believed. Given the contemporary success of the NZALC as a large firm which combined a number of different interests in Australia and New Zealand, it is puzzling that merging together the American cattle interests of the numerous Scottish FSCs was not considered.

A possible reason that such a large firm was not formed may have been the difficulty of persuading all of the potential board members to part with the necessary funds initially for what must have appeared to be a very high risk activity. The ranches set up by these FSCs were among the first waves of permanent settlement in the American Mid-west - according to Pearce they filled the gap in land exploitation left by the over-hunting of buffalo on the prairies.[135] These lands were often inhospitable[136] and their realistic suitability for cattle grazing may originally have been unclear as grass resources were finite and access to water sources was crucial. As was apparent to the Matador's board, such difficulties could be circumvented only by careful management; and it is worth noting that considerable caution was employed in setting up this ranch. Independent reports were sought into the condition of the property, for example, previous to the decision to purchase the firm. One question not asked by Wilkins, Jackson, Kerr or a number of other authors is how far prospective FSC promoters researched their investments. If little research was carried out, this may suggest that a new scheme was intended to be particularly speculative. This is equally applicable to companies

[135] Pearce, *The Matador Land and Cattle Company*, pp. 1-10.
[136] Curiously, many are FSCs set up in inhospitable terrain: for instance, the region of southern Spain in which Rio Tinto and Tharsis operated was also said to be very inhospitable. NZALC later prospered in the arid terrain of the Australian outback.

involved in other spheres of primary production such as mining and plantations as it is to those involved in ranching.

One potential argument is that this may not need to be such a concern to potential investors in a firm. As Hart suggested in 1995, firms with a large numbers of small shareholders may experience a distinct lack of interest from their shareholders who may believe their influence to be too small to exercise any great interest in the firm.[137] This problem is especially present if shareholders are widely dispersed and unlikely ever to meet or even in contact with each other. Interestingly, in the Scottish case this may not be so; Payne, Schmitz, Kerr and Jackson have all suggested that many of the shareholders in Scottish FSCs were located close to the offices of promoters or the main stock exchanges. Possibly, therefore shareholders, both small and large, were more likely to attend annual meetings and communicate with each other, to pay attention to their investments and put pressure on those elected to manage them.

2.6 Conclusion

A final caveat may be necessary. Some authors of case studies on this topic have pointed to the lean governance employed in some FSCs, as indeed did Wilkins. Measuring entrepreneurial failure may be difficult. The role of entrepreneurs and their part within the larger economy is something business historians have disputed at length. Some suggest that entrepreneurs directly organise the creation of wealth and gain from trade while others suggest that they have a passive role, simply optimising factors of

[137] O. Hart, *Firms, Contracts and Financial Structure* (Oxford: 1995), p. 10.

production to generate profit. According to Gordon Boyce and Simon Ville,[138] economists divide into three schools over this issue:

1. Frank Knight is an example of those who suggested that entrepreneurs were key in bearing risk in the economy.[139]

2. Schumpeter wrote that entrepreneurs were responsible for creative destruction,[140] and that they introduced ground breaking new technologies that helped to change the dynamics of marketplaces.

3. Kirzner wrote that entrepreneurs simply fulfilled a role of arbitrage, bringing markets into equilibrium by exploiting price and production gaps between other actors.[141]

Thus differing schools see entrepreneurs as both creative and destructive forces. However we see the individual firm, whether as a nexus of contracts or as a device for pooling knowledge, governance remains important in terms of corporate success or failure. The founding of an FSC would appear to require some entrepreneurial skill to find a possible opportunity for exploitation, and its continuation would appear to require a large amount of informed decision making. Clearly an FSC is an excellent example of a new combination in the Schumpeterian sense. This thesis will examine this in a qualitative manner and analyse key decisions and the structures employed to create such new combinations.

[138] G. Boyce, and Ville, S., *The Development of Modern Business* (Basingstoke: 2002), pp. 30-32.
[139] F. H. Knight, *Risk, Uncertainty and Profit* (Boston: 1921).
[140] J. A. Schumpeter, *Capitalism, Socialism and Democracy*, 2000 reprint ed. (London: 1943).
[141] I. M. Kirzner, *Competition and Entrepreneurship* (Chicago: 1973).

This thesis seeks to add to our existing knowledge of the topic first by bringing together the various threads of the existing diverse historiography with as yet undocumented material. At present there is a gap between the writing of historians of Scotland on the subject and the writing of business historians. Historians of Scotland generally have been interested in this topic to a certain degree, but tend to bundle the whole issue of foreign investment together, often seeing it as a damaging outflow of funds from the Scottish economy.[142] They suggest that this outflow of funds (and perhaps entrepreneurial activity) in the late nineteenth century contributed to economic development in countries outside the UK instead of boosting Scotland's economy which, they believe, lagged behind in the twentieth century. Foreign investment is often also associated with emigration, yet it would appear that the flight of people and that of capital inhabit two different spheres even if there may be some link between the two.[143] At the same time, business historians such as Mira Wilkins and Ranald Michie point to the importance of FSCs in the development of both home and host economies. The FSCs helped to make the capital markets in home economies, and also the productive markets in host economies, more sophisticated. According to business historians such as T. A. B. Corley, FSCs also helped domestic industry by providing cheap access to raw materials such as copper, tea, coffee, oil or rubber, not available readily in Scotland. Business historians have focused previously on UK-based FSCs as a general subject and partially upon Scottish FSCs but have generally not attempted to explore the subject in greater depth. This thesis aims to explore this subject in detail and to investigate the enabling factors behind the formation of FSCs in addition to the motivation of investors and entrepreneurs in forming FSCs. It is intended to achieve this without pursuing a nationalistic agenda and any overarching narrative that foreign investment somehow led

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142 See Lee, "Scotland 1860 - 1939: Growth and Poverty."

143 For an example of this see M. Gray, "Scotland in the International Economy," in *Modern Scottish History: 1707 to the Present*, ed. A. Cooke, et al. (East Linton: 1998). Though clearly as suggested above some FSCs may have acted as engines of emigration.

to industrial failure. This thesis brings a fresh theoretical approach, aiming to see the Scottish economy as part of a wider world economy, and to evaluate the role of Free-Standing Companies within it.

Chapter 3 – Free-Standing Companies: Purpose, Lifetime and Origins 1862 – 1885

This chapter will analyse the results of the survey undertaken of some 116 Limited Liability Company registration files pertaining to companies that can be ascertained to be free-standing and whose records are held in the National Archives of Scotland in Edinburgh.

This chapter creates for the first time a clear picture of the targeting of entrepreneurialism and investment into all Free-Standing Companies that were based in Scotland between 1862 and 1885, and which had already been dissolved by the time of the survey in 2006-7. A systematic picture of the FSC-hosting industry as a whole is presented, with details on the FSC's Standard Industrial Classification Category, which host countries were chosen, their lifetime and place of origin. Creating such an overall picture is an important contribution to broadening our knowledge on the subject in Scotland, which did not previously extend far beyond a few well known cases, or of the group of FSCs that invested in the US. By doing this we improve on previous work looking at Scotland's contribution to the history of business and economic growth more widely, before the thesis moves on to discuss more company-specific examples.

3.1 The Impact of Limited Liability

The 116 files examined were kept by the Registrar of Companies in Scotland at Companies House in Edinburgh (the equivalent of the London Companies House Registrar) and were produced by all limited joint-stock companies that were registered in Scotland. The BT2 collection includes files of companies registered to operate domestically as well as those registered to operate abroad. In fact, the first company to be registered under the Joint Stock Act of 1856 was the Daily Bulletin Company, which was formed in late 1856 to publish newspapers.[144] None of the companies examined in this chapter continue to survive today in their original form.[145]

The initial response of Scottish business, whether domestic or international, to this new legislation was relatively slow. The first company registered to operate abroad, the Lisbon Royal Steam Navigation Company (Limited) of 1862,[146] was only the 110th company to be registered; or at this stage an average of 18 per month. This compares with 4,859 companies registered in London between 1856 and 1865.[147] In the 1861 census England's population was around 6.5 times that of Scotland and consequently about 750 registrations might be expected.[148] Institutional differences between Scotland and England may explain this discrepancy. As noted in **section 1.3**, Joint-Stock companies with unlimited liability had been formed in Scotland even before the 1856 Act and they were on more solid legal ground than those in England whose formation had been heavily restricted by the Bubble Acts.[149] Shareholders in such companies thus risked their own assets if the companies they bought shares in ran into difficulties. In addition, there was very little regulation of practice, permitting only relatively low levels of trust in joint-stock companies. In part this meant that private ownership by entrepreneurs remained the dominant form of organisation in Scottish business. Similar patterns of company ownership with low levels of registration persisted after 1856, however; just as in England, many larger domestically operating companies (for

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[144] NAS BT2/1.
[145] The last surviving FSC mentioned here was the New Zealand and Australian Land Company Ltd., which as discussed in **Chapters 4** and **5** was sold to the Anglo-Australian multinational Dalgety Ltd. in 1968. Dalgety Ltd. was demerged at the end of the 1990s. Burmah Oil, which is not included in this survey as it was founded in 1886
[146] NAS BT2/110, The Lisbon Royal Steam Navigation Company, Limited.
[147] Shannon, "The Limited Companies of 1866 - 1883." p. 292.
[148] According to the 1861 census, England and Wales had a population of 20,066,224; Scotland had a population of 3,062, 294, about 15% of that for England and Wales.
[149] This is unclear, but it appears that there may have been some legal opinion that these acts were not applicable in Scotland. See Campbell, "The Law and the Joint - Stock Company in Scotland."

instance Charles Tennant's chemical company)[150] did not seek limited liability status. Some companies such as joint-stock banks, the Commercial Bank of Scotland and the ill fated City of Glasgow Bank, did not seek limited liability status after 1856 as it was seen to imply the possibility of failure.[151]

Under the limited liability scheme that was put in place in 1862, registered companies were obliged to submit certain documents to the Registrar of Companies in Edinburgh. Upon registration, companies had to prepare a Memorandum of Association and a set of Articles of Association. The Memorandum was important legally as companies had to list the purposes for which they were established to carry out business. Many companies deliberately made their Memoranda as ambiguous as possible, with widely sweeping powers to cover for unforeseen eventualities as companies were strictly limited to the powers set out in their Memoranda. The Memorandum also had to include a list of subscribers. Subscribers were the founding shareholders of a company (with witnessed signatures). The Memorandum also set out clearly the level of nominal starting capital and number of shares that the company was offering. The Articles of Association acted as a constitution for the company and set out exactly the rights of its directors and shareholders; for instance, making clear the voting rights of different classes of share and the powers of directors. Theoretically directors could be sanctioned by shareholders if they went beyond the provisions in these articles.[152] Often dividend rights and plans for sinking funds would even be specified in the Articles of Association. In addition, companies were obliged to register themselves as being based

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[150] S. G. Checkland, *The Mines of Tharsis: Roman, French and British Expertise in Spain* (London: 1967), p. 111. Tennant did establish his raw materials subsidiary *Tharsis* as a Limited Company, and this was technically a Free Standing Company for a time, although it is not included in this survey. It began investing in its own manufacturing capacity in the UK, and in Scotland just two years after its foundation in 1866, purchasing five metal extracting companies around the UK and building new works in Glasgow and Cardiff.

[151] For an overview of this see S.G. Checkland, *Scottish Banking: A History, 1695-1973* (Glasgow: 1975).

[152] Armstrong and Jones, *Business Documents: Their Origins, Sources and Uses in Historical Research*, pp. 32-34.

at a particular address, although, as in the better documented cases of London based FSCs, these addresses were often little more than cases of 'brass plate capitalism'.[153] The final obligation was that companies had to return summaries of capital raised and details of their shareholders each year.[154]

At this stage there was no obligation to report results of any kind. These obligations gradually increased, with lists of directors having to be submitted after 1901 and from 1908 balance sheets having to be returned. Initially the requirement to file capital returns was not rigidly enforced, but after 1880 any company not filing returns was vulnerable to investigation and potentially risked being struck off the register of companies. What was crucial, however, is that some minimal level of regulation had been achieved and now companies could use their limited liability status to attract shareholders. Further, there were clear legal procedures set out to deal with liquidations. If a company ran into difficulties then, the directors themselves could resolve to wind up the company and recover whatever funds it was possible to recover from any remaining assets. Limited liability then allowed for a new, formalised framework for Joint-Stock companies which was ideally suited to the needs of companies that intended only to operate abroad as it provided a relatively transparent means of containing risk for shareholders.

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[153] S. Nicholas, "British Multinational Investment before 1939," *Journal of European Economic History* II (1982).

[154] Armstrong and Jones, *Business Documents: Their Origins, Sources and Uses in Historical Research*, p. 99-100.

3.2 Free-Standing Companies 1862-1885

I have identified 116 Free-Standing Companies as having been registered in Scotland between 1862 and 1885. As noted above, the first identifiable FSC to be registered was the Lisbon Royal Steam Navigation Company (Limited), in 1862.[155] This company was founded by Louis Bunney, a merchant based in Lisbon, after acquiring a ten year concession to operate tug boats on the River Tagus in Portugal, at a cost of £1,700, for which Bunney was to be reimbursed from the company's capital. Nominal capital was set at £70,000; although it seems unlikely that this happened as the company was voluntarily wound up very quickly, with liquidation completed in 1864. Seven small investors, mostly from the West of Scotland with the exception of James Reid, a merchant based in Liverpool, were registered subscribers to the company. The main apparent linkage into any related industry was that one of the subscribers (and later the liquidator) Graham Brymer was himself a steam boat owner. This company may therefore have been an extension of the contemporary practice of ship owners establishing registered companies to spread the risks involved in shipping.[156]

The Royal Lisbon Company was unsuccessful but it did establish a pattern of organisation which became commonplace – that of companies being set up to take over a particular concession or contract and even possibly to take over an already going concern. The second Free-Standing Company to be registered, the West Pacific Company Ltd., was a very different type of concern. The West Pacific was formed in Dundee in 1863 with seven local shareholders, and had the objective of establishing a sawmill on the island of Hokkaido in Japan.[157] This was possibly an attempt to capitalise upon the perceived opening up of Japan in the wake of the American mission

[155] NAS BT2/110, The Lisbon Royal Steam Navigation Company (Limited) registration file.
[156] Michie, *Money, Mania and Markets: Investment, Company Formation and the Stock Exchange in Nineteenth - Century Scotland.*, p. 55.
[157] NAS BT2/129.

of the 1850s. This company appears to have been a relatively modest enterprise with a nominal capital of £4400 which was fully subscribed by the shareholders and apparently rested entirely upon the management skills of a David Scott, described as a 'master mariner' and the company's agent in the east. The 1866 Annual Meeting reported a deficit of US$30,846.95 while the 1864 meeting had reported a deficit of only $20.18. It is clear that establishing any sort of competitive advantage in a remote country without any telegraph link to the UK had proved impossible and the voluntary winding up process was started in 1869, one year after the Meiji Restoration.[158] Long distance liquidation proved a problem as the company experienced difficulty in trying to dispose of the land it had purchased in Japan. The company remained in liquidation until 1872 when the hoped for price of £2200 was realised and the money could be returned to the shareholders.

Table 3.1 Scottish FSCs established 1862-1885

Years	Frequency
1862-65	8
1866-70	7
1871-75	26
1876-80	23
1881-85	52
Total	116

Source: Registration details collected from NAS BT2.

These two early examples are fairly atypical of the pattern of FSC formation which started to become common after the 1860s. In effect, many FSCs were constituted by a contract between the vendor of the assets to be taken over by the FSC, and the new company. For instance, this could be between the previous owner of the mine to be purchased and the new FSC setting up the sale conditions and often allowing the vendor a share in equity, sometimes deferred. In some cases the vendor might also be engaged

[158] NAS BT2/110.

as a manager. Over time, as promotions became more accomplished, it was not unusual for the existence of the contract to feature prominently in the Memorandum of Association. This is not to say, however, that the execution of such a contract would be the only power allowed by the Memorandum of Association – often companies would allow themselves a plethora of powers. Such powers were often, but not always, related to the core activity of the company. In the case of mining companies, for example, rights were often made non specific – so for instance, a company intended to mine copper, would allow itself rights to mine every mineral of value on its land. Manufacturing rights would often also be included as well as the rights to operate railways and other forms of transport. Quite frequently, rights to hold land were also included, even for companies that were not intended to be 'land' companies – and for land companies rights to farm, mine and manufacture were often included to cover all eventualities, presumably in the event that tenants and purchasers could not be found. Another important power was geographical; some companies restricted themselves to particular countries; for instance a company aiming to operate in Spain might allow itself powers to operate anywhere in Spain even if it only intended to concentrate on one narrow site. Others might be more liberal; for instance it was common for companies operating in the United States or Canada to allow themselves rights to operate anywhere in North America. In some cases companies even allowed themselves rights to operate worldwide even though this was extremely unlikely in the short term.

It would be tempting to dismiss the powers given in the Memorandum of Association as legal niceties given their apparent exaggeration of the scope of the real activities of the companies they constituted. However, there were cases when freedom of action was genuinely constrained by the Memoranda – such as in the case of the fourth Free-

Standing Company to be formed – the Irrawaddy Flotilla Company.[159] The Irrawaddy was one of the better known FSCs being formed to take over shipping operations started by the government of British India on the Irrawaddy River in modern-day Myanmar. The Irrawaddy Company operated the flotilla from its effective privatisation in 1865 until the nationalisation of riverboat operations by the then Burmese government in 1948. The company's initial Memorandum simply gave rights to operate the contract negotiated with the government to convey all government passengers and cargo and in addition to run a public steamer service on the river. This proved too restrictive as the company's activities developed beyond shipping – this was still a developing territory with many unexploited opportunities. A particular difficulty was that the company did not have the rights to build new docking facilities. In 1875 it was decided to wind up the existing company and transfer the assets to a new registration with a Memorandum expanded to allow for the building of structures such as docks and warehouses as well as allowing the power to act as general traders.[160] Complete reconstitution like this was comparatively rare; usually powers were added if necessary – or in some cases perhaps another company might be registered to take on the powers not included in the original Memorandum.

3.3 SIC Category of Companies

After completing the collection of data for this part of the thesis, what became clear was the diversity of purposes for which companies were registered. **Table 3.2** below illustrates the purposes for which companies registered within the Standard Industrial Classification (SIC) as far as could be clearly taken from the Memoranda, based on the

[159] NAS BT2/206, The River Plate Telegraph Company, Limited, registration file.
[160] NAS BT2/637, The Irrawaddy Flotilla Company, Limited, registration file.

powers that companies allowed themselves. Companies fitting twenty different two digit and thirty four different four digit SIC classifications were identified.[161]

These have been taken from the first paragraph in the Memorandum of Association, but some companies may have had secondary purposes. For instance, it seems likely that many of the 17 companies classified within Beef Cattle intended to operate as land companies also, or saw their land as a crucial asset.[162] Certainly some such as the Missouri Land and Live Stock Company moved visibly from the livestock industry into the land industry after the collapse in cattle prices of the late 1880s.[163] Some land companies themselves had ambitions to move into agriculture or the financial industry; most notably the vast New Zealand and Australian Land Company Ltd which was formed in 1866 with general aims to purchase land in Australasia for all extractive activity and offer some financial services such as mortgaging.[164]

Most of the Free-Standing Companies formed in this period were in the sectors we might expect. The mining and farming companies fitted broadly into the primary sector of the economy, with a few such as the telegraph and river shipping companies fitting into the tertiary sector. Only a handful of manufacturing FSCs were set up in this period; of these the most successful group were the jute companies that were set up to spin jute in addition to growing it in India. Possibly the most unusual manufacturing company, classified in **Table 3.1** under 'Brick and structural clay tile' was the Huelva Brick and Tile Company Ltd.[165] Huelva Brick and Tile was formed in 1882 to

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[161] See **Appendix 1** for four digit codes.
[162] Contemporaries seem to have been of this opinion after about 1882 – see *The Economist* vol. XLI (1882) p. 131.
[163] NAS BT2/1101, The Missouri Land and Live Stock Company, Limited, registration file. This company noted in a 1902 petition to reduce its paid-up capital that it had moved out of cattle, but had sold 300,000 of the 360,000 acres of land it originally purchased. The company had only remained in the cattle business for as long as the estate made ranching on a large scale worthwhile.
[164] NAS BT2/229, The New Zealand and Australia Land Company, Limited, registration file.
[165] NAS BT2/849, The Huelva Gas and Electricity Company, Limited, registration file.

manufacture bricks, tiles and pipes in the city of Huelva in southern Spain. The Province of Huelva was a major centre of British investment (both English and Scottish based) in the pyrites industry and it seems likely that this FSC sought to exploit these linkages, probably by sourcing its raw materials from mining spoil.[166] This company was not successful: in the long term being forced to wind up, due to debt incurred, in 1886.

Table 3.2 – Scottish Free-Standing Companies Registered 1862-1885 by two digit SIC Code

SIC Code	Class Name	Frequency
01	Agricultural Production – crops	10
02	Agricultural Production, livestock and animal specialties	19
08	Forestry	2
10	Metal Mining	31
12	Coal Mining	1
13	Oil and Gas Extraction	2
14	Mining and quarrying of non-metallic minerals, except fuels	2
20	Food and kindred products	2
22	Textile mill products	5
24	Lumber and wood products, except furniture	7
32	Stone, clay, glass and concrete products	1
40	Rail transportation	1
44	Water transportation	3
48	Communications	2
49	Electric, gas, and sanitary services	3
51	Wholesale trade - nondurable goods	2
61	Non-depositary credit institutions	1
63	Insurance carriers	1
65	Real estate	20
89	Miscellaneous services	1
	Total	116

Source: The purpose given, usually in paragraph 1 of the Memorandum of Association.

Table 3.2 above shows the FSCs placed into SIC two digit classifications. The dominance of metal mining among the promotions becomes clear when gold and silver

[166] Huelva was home to English copper and pyrites mining FSCs such as Rio Tinto, and the Scottish company Tharsis, which is not included here as it had manufacturing capability in Scotland. See footnote 6, Checkland, *The Mines of Tharsis: Roman, French and British Expertise in Spain*., and C. E. Harvey, *The Rio Tinto Company; an Economic History of a Leading International Mining Concern, 1873 - 1954* (Penzance: 1981).

mining concerns are classified with the copper companies. Class 02 here includes all agricultural companies whether in the livestock, tea, coffee, rubber or sugar sectors. Taking all the companies categorised within the two types of agricultural production, the various types of mining and oil, lumber and wood products together gives us 75 companies that were registered mainly for primary sector purposes. Meanwhile, taking the rail, water transport, communications, electric and gas, wholesale, non-depositary credit, insurance and real estate companies together, 33 companies definitely fit into the tertiary sector. The five textile companies could be considered to fit into the secondary sector, although they probably pursued some primary sector activity in terms of cultivation too. For certain the Camperdown Trading Company allowed itself the rights to cultivate jute, flax, hemp and cotton in addition to manufacturing.

3.4 Geographical Location

This section will detail which countries Scottish Free-Standing Companies were formed to operate in. The 116 Scottish FSCs aimed to invest in 19 separate countries in this period.[167] This creates a methodological problem: as with powers granted in the Memoranda, companies may state their intention to begin operating in a certain country but not actually carry it out, but despite this it is still possible to create a picture of the intentions of entrepreneurs. We might expect, for instance, entrepreneurs based in an English speaking country to prefer to invest in other English speaking countries as this can cut information asymmetries that can arise through linguistic misunderstanding.[168]

[167] The number of separate countries is complicated a little by the fact that three of these countries – Ceylon (Sri Lanka), Burma (Myanmar) and India, were all counted as part of British India in this period. Jurisdictions in Africa were also somewhat unclear, so in this study those two companies whose operations could not be attributed clearly to a single country were simply assigned to 'Africa'. Often the Articles of Association provided little specific information on where a company intended its operations to be – The Glasgow West African Company Limited, registered in 1866, simply registered its intention as 'General trading with the West Coast of Africa.' NAS BT2/235.

[168] A.W.K. Harzing and A.J. Feely, "The Language Barrier and Its Implications for H.Q.-Subsidiary Relationships," *Cross Cultural Management: An International Journal* 15, no. 1 (2008)., suggest that

Similarly, common legal and institutional systems can prove attractive – for Scots entrepreneurs the existence of a parallel system of Roman law in many other European countries might have created some attraction compared to English speaking countries which tended to have Common law systems. Such transaction cost issues could be a particular difficulty when dealing with local contractors, or even with the company's own agents or with land ownership systems that were operated on different principles to those in Scotland.

A further difficulty for some companies was the introduction of legislation in some jurisdictions against foreigners holding land or simply against large corporate land owners. For instance, the demand for such legislation in the US became very acute during the ranching boom in the 1880s. In 1886 the Federal Government finally moved to introduce legislation to prevent aliens or foreign corporations from holding lands in the western territories.[169] It has also been suggested that the political background of the period may have a role to play in companies deciding where to invest – and that such companies can themselves serve as engines of imperialism.[170] In this study the findings have conformed to some of these expectations but less so to others. **Table 3.3** shows a simple breakdown of the countries in which companies aimed to invest in the earlier years of the period.

language problems can seriously impede head office – subsidiary relationships in modern day Multinational Enterprises. Principals and agents can easily misunderstand each other, and if either party is operating in a second language this can cause anxiety for the party doing so and cause the other party to lose respect, thus impeding the principal-agent relationship. Clearly in a Free-Standing Company the lack of any such impeding factors in a relationship is important, as relationship between principal and agent essentially defines an FSC – the principal cannot make a profit without the agent.

[169] Jackson, *The Enterprising Scot: Investors in the American West after 1873*. p.109.

[170] For an examination of the role of commerce in British Imperial expansion see Davis, *Mammon and the Pursuit of Empire*.

Table 3.3 Scottish FSC Host Countries, 1862 - 1885

Country	Frequency
USA	43
Canada	15
India	14
Spain	8
Italy	5
New Zealand	4
Portugal	4
Burma	3
Argentina	3
Africa	2
South Africa	2
Australia	2
Ceylon	2
Algeria	1
Austria	1
France	1
Japan	1
Norway	1
Peru	1
Mexico	1
British Guiana	1
Persia	1
Total	**116**

Source: The country an FSC stated it intended to operate in in its Memorandum of Association.

The most noticeable fact is that the USA was the most popular country for FSCs to target during this period, followed at a considerable distance by Canada. This becomes most clear when examining **Table 3.4** below which breaks FSCs down by host continent. Mexico has been counted with South America as the barriers faced by entrepreneurs in Mexico in terms of language and institutional barriers would be similar to those in South America. Perhaps a surprising result however is that the figure for Europe – meaning all of Continental Europe – almost matches that for Asia.

Table 3.4 Host Continent

Continent	Frequency
North America	58
Asia	21
Europe	20
Australasia	6
South America	6
Africa	5

Source: See **table 3.3**.

Within Europe, Spain, was the most popular country for formations with its large pyrites industry, mining promoters also targeted Italy and Portugal to a lesser extent. Within Asia, British India was by far the most important country, with nineteen companies registered to operate there. Although Burma was not strictly considered a separate jurisdiction from India in this period, it has been shown separately to emphasise the importance of the activity of Scottish companies there, such as the Irrawaddy Company mentioned above. The most surprising result here was that of South America, with only six companies registered, despite the large number of English FSCs and merchants operating there.[171] This was equivalent to the number formed to operate in Australasia, which was perhaps also lower than might have been expected for FSCs, given its English speaking settler status, and the previous history of Scottish investment companies there.[172] Finally Africa had five FSCs formed to operate in it: one mining company formed to operate in Algeria, and four companies operating in British territories – two of which would fall into modern South Africa, one in West Africa, and a fourth which appeared to have been formed to provide inland shipping based around the River Zambezi.[173]

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[171] Miller, "British Free-Standing Companies on the West Coast of South America." In his general history of Argentina Colin Lewis notes the importance of UK foreign investment in late nineteenth- and early twentieth-century Argentina, centred around the London money market. C. Lewis, *Argentina: A Short History* (Oxford: 2002), pp. 40-46.

[172] Macmillan, "Scottish Enterprise in Australia, 1798-1879."

[173] This was NAS BT2/833, the Livingstonia Central Africa Company, later the African Lakes Company, whose Memorandum of Association gave it powers to navigate the River Zambezi and set up trading posts and colonies. The main area of activity was probably modern day Zambia.

Table 3.5 Empire v non-Empire

Empire (inc general Africa)	45	38.8%
Non-Empire	71	61.2%

Source: See **table 3.3**.

Table 3.5 shows the proportion of companies formed to operate in the Empire compared to those formed to operate outside it. Clearly, non-Empire countries represented a far larger proportion of investment than Empire countries, with 61.2% of promotions being targeted there. Despite this, 43 out of the 71 companies registered to operate in non-Empire countries were registered to operate in the United States, so there remains a linguistic link even if there is no imperial link. In addition, the relative ease of communication with the United States may have a role in this preference with the first reliable telegraph links being set up in 1866. This line went through Newfoundland and Canada so they were also linked to the UK at the same time by telegraph.[174] This had a reverse effect, encouraging entrepreneurs and promoters in the US seeking inputs of foreign capital using the relatively convenient link with Scotland to seek potential promotion opportunities, as will be examined further in **Chapters 6** and **7**. This link may be even more apparent in the case of Canada, where a large Scots settler population potentially helped to heighten awareness of the opportunities of the Scottish capital markets.[175]

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[174] T. Standage, *The Victorian Internet* (London: 1998), pp. 81-85.
[175] The 2001 Canadian Census registered 4,157,210 people as being in some way of Scottish descent.

Table 3.6 New Paid-up Capital per country per annum (£'000s)

Year	US	NZ	Canada	India	Argentina	Burma	Spain	Italy	Aust ria	Portugal
1862										1
1863										
1864										
1865		175			30	51				
1866		10		12						
1867										
1868		934		20						
1869								30		
1870		243							80	
1871				4		20				
1872	16			2		46	98			3
1873			55	96		59	250	19		
1874			2			9		3		2
1875	218		76	74		41		16		
1876	21			75			7			1
1877	32		295	5		10				
1878	22		40				3			
1879	2			48	26					
1880	164		103	2		35	2	6		
1881	268		175	152			8			
1882	991		175	43			29			
1883	744		161	36			72	9	1	
1884	554		8	98			45	8	1	8
1885	317		9	51			11			3
1886	210		2	32	131		7			
1887	102			58		100	5			
1888	228			12	125	200				
1889	179			11	264					
1890	132			143						
Total	4200	1361	1100	975	575	571	538	91	82	17
%	43	14	11	10	6	6	6	1	1	0
M per firm	95	340	73	65	192	190	60	18	41	4

Note: Countries are arranged in order of total paid-up capital size, left to right. Table shows newly paid-up capital. Blank years mean no capital was paid-up.
Source: Paid-up capital is extrapolated from annual returns given to Companies House.

To further develop the analysis of location choice, the paid-up capital for each of the countries or regions (in the case of Africa) with two or more FSCs has been calculated. **Table 3.6** shows the capital raised every year 1862-1890 by FSCs formed between 1862 and 1885 aiming to operate in each host country which hosted three or more FSCs. The final row shows the mean amount of paid-up capital that companies operating in each country had raised by 1890, and before any reductions. This does not necessarily mean that this money was invested in operations in that host country but it does show the response of investors to opportunities presented by companies operating in each country. The dominance of North America continued, with capital being sent to the USA every year after 1875, and Canada enjoyed a run of popularity in the mid 1870s and early 1880s.

The mean figures for each country suggest that the typical size of FSC in some countries, particularly New Zealand and Burma, was larger than the average US size. This was particularly so in the case of New Zealand, in which a handful of land or pastoral companies, two of which are examined in detail in **Chapter 4,** were being formed with very large capitalisations in the later 1860s. The figures for Burma also show disproportionate company sizes, because there was a large FSC operating in internal shipping. Contrasted with this is Portugal where hosted companies called relatively little capital. Portugal's small figure is explained by the lack of success of the four companies registered to operate there; particularly the above mentioned Lisbon Royal Steam Navigation Company which appears to have failed to begin operations but which it is reasonable to assume would have gained a very large capitalisation had it been more successful. Portugal's other three companies were speculative mining ventures and so likely to be short lived, as will be examined in **Section 3.5**.

Referring back to **Table 3.3** a further important factor in choice of FSC location relates to the resource endowment of the particular country of interest. This is naturally important when we are thinking about companies which are interested in extractive activities. The existence of the particular mineral required for a purpose is important (such as the use of sulphur in the alkali based chemical industry) and the correct climatic conditions are needed to grow crops such as sugar or tea. It might be thought then that location patterns would become clearer if company types are tied to the countries located in. **Appendix 2** shows the Standard Industrial Classification of companies by individual country, for those countries represented by three or more FSCs.

The largest SIC four digit category in any one country was beef farming in the US, with 15 companies. The importance of the real estate industry in the US and Canada is also clear, with 11 free-standing companies being formed to invest in land. This period coincides particularly well with the building of the transcontinental railways in the US opening up new areas to development. Some of the cattle companies also sold their stock to concentrate on real estate, particularly after around 1886 when cattle prices declined to a level at which they became unprofitable for many large ranchers.[176] In New Zealand, too, pastoral and land companies were important, and FSCs operating there also operated land under their ownership as livestock farms as well as trading as land companies.

Tea farming in India or Ceylon represented a further grouping of five companies which clearly related to the region's suitability to grow tea in addition to the availability of cheap land and labour – the same was true for jute. An industry which appears on four different continents, meanwhile, is pyrites mining which suggests that investment in it may have been driven mainly by commodity pricing – although it remains concentrated to some level in North America and Spain. This will be explored further in **Chapter 5** where the Arizona Copper Company will be examined in more detail.

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[176] For instance NAS BT2/1101 The Missouri Land and Live Stock Company, which openly abandoned cattle ranching by 1902.

Nine FSCs represented the only attempt by promoters to enter a specific country in this timescale. Some of these, such as the West Pacific Company with its sawmill in Japan, might be expected to be rare atypical outliers and others such as the utilities arguably constitute natural monopolies which presented barriers to entry. Even so, there still remain a lot of companies for which a clear motive relating to the wider economic environment is difficult to establish. Some are likely to represent the sole Scottish example of larger investment trends which may have been important in London or elsewhere; while others, like the pyrites companies, were established as a result of commodity prices. Others may simply represent attempts to exploit unusual opportunities which arose in particular areas, or even purely speculative attempts to enter markets by individuals or groups.

3.5 Lifetime

FSCs have been perceived to suffer from particularly short lifetimes with a very rapid entry and exit rate, particularly in the overseas mining industry.[177] The mean lifetime of all 116 FSCs was found to be 13.7 years before the decision to wind up was taken or 19.2 years including time in liquidation. This compares closely with the mean lifetime of 16.4 years calculated by Payne for all Scottish Limited companies registered 1856-1895.[178] In the figure of 19.2 years, the lifetime has been taken to be the point at which an FSC was deleted from the register either because its assets were successfully liquidated, transferred to a purchasing or new company or struck off the register due to inactivity. This difficulty arises as the resolution to wind up a company was often taken

[177] Both Harvey, "The City and International Mining, 1870 - 1914." and Schmitz, "The Nature and Dimensions of Scottish Foreign Investment." emphasised the importance of this.
[178] See Payne, *The Early Scottish Limited Companies, 1856 - 1895*, p. 101. Payne used the date of the winding up resolution or court order winding up a company as the end of its life. This probably suited his purposes as he was also looking at companies trading mainly in the domestic market which could have been liquidated more rapidly than FSCs. See Payne p. 5.

many years before the winding up was actually concluded. In the case of Free-Standing Companies this period could often be protracted in situations where liquidators faced problems selling unattractive land and other assets abroad where businesses had failed completely. One example of this protracted process was the Scottish Mortgage and Land Investment Company of New Mexico Ltd. whose directors passed a resolution to liquidate the company in 1906.[179] Liquidation was not successfully completed until 1944 due to difficulty encountered in finding a buyer for 225 shares held in the US registered Sabina Springs Land Company.

Table 3.7 Mean Lifetime for most frequent two digit SIC Codes

Two digit code	Class Name	Frequency	Mean Lifetime 1(a)	Mean Lifetime 2 (b)	Mean Nominal Capital (£,000s)	Mean Liq Period
1	Agricultural Production – crops	10	19.0	27.3	92.1	8.3
2	Agricultural Production livestock and animal specialties	19	24.2	26.9	431.1	2.7
10	Metal Mining	31	7.6	13.9	180.2	6.3
22	Textile mill products	5	20.7	31.1	114.3	10.4
24	Lumber and wood products, except furniture	7	5.6	14.6	252.8	9.0
65	Real estate	19	14.1	23.9	162.5	9.8
	Whole Sample Mean (91 companies)		15.2	22.9	205.5	7.7

a) is the mean lifetime of companies until the decision to liquidate, merge with another company or re-register is taken. This can be argued to represent the end of the effective life of a company as it usually meant normal trading activities were ceased although legal personality was not.

b) is the mean lifetime of companies taking the date of the final winding up meeting held by directors as the end date or the date that the company was struck from the register due to inactivity. This generally occurred if a company failed to submit its annual returns of paid-up capital and shareholders registers for a number of years successively.

Table 3.7 above shows the mean lifetime of the 91 companies for which end dates could be found in the six most common two digit SIC classes together with the mean paid-up capital per annum per sector and mean nominal capital per sector overall.

[179] NAS BT2/1161, The Scottish Mortgage and Land Investment Company of New Mexico, Limited, registration file.

Nominal capital has been used here as an indicator of expected company size based on the premise that larger companies enjoy a lower risk of bankruptcy – although economies of scale should not be overstated as all companies are vulnerable to liquidity problems. Companies possessing larger amounts of nominal capital can both call in more funding and deploy this capital to lower their risk of bankruptcy. The usual practice was not to call all the capital up straight away, but to start with an amount thought to be suitable to set up business – although this often left shareholders exposed to further calls.

Table 3.7 suggests that companies in the metal mining sector had a very short life expectancy, while the manufacturing companies in the textile industry and the livestock companies survived the longest. The brevity of the lives of companies in the mining sector reflects the single project nature of these companies which were usually formed with the intention of mining on a single property or group of properties rather than mining generally. Five metal mining FSCs, four of which were set up to mine copper, failed to survive for longer than a year before deciding to liquidate. This suggests either operations were not commenced, or that reserves were found to be insufficient or unworkable.[180] In a few cases newly promoted companies failed to register any public interest at all. For instance the Consolidated Copper Company of Canada[181] was intensively promoted in the press in 1872. Despite a high profile appeal for funds the company did not survive for long enough to submit a capital return. In many cases it appears that promoters would move to liquidate as quickly as possible, to recover any invested funds before they could be lost subsidising unproductive operations.

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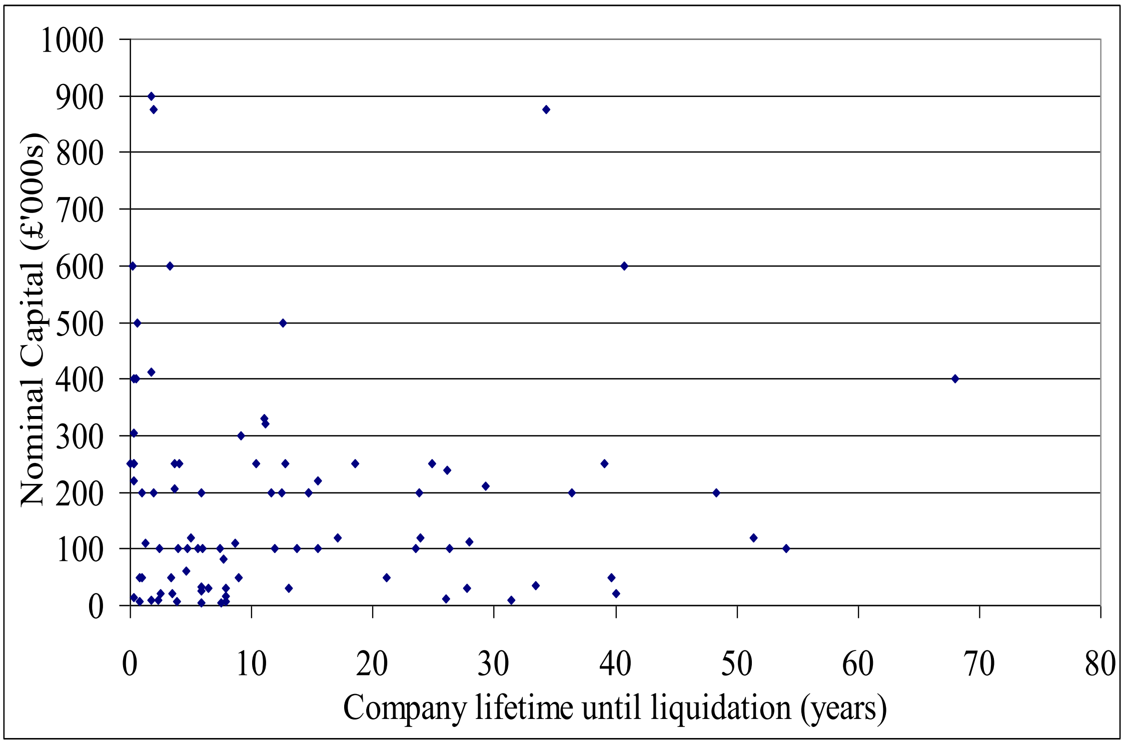
[180] Registration files of metal mining companies failing to survive for longer than a year included BT2/435 The Consolidated Copper Company of Canada, Limited, BT2/443 The Utah Cottonwood Mining and Smelting Company, Limited, BT2/494 The Scottish Italian Copper and Lead Mining Company, Limited, BT2/550 The Mont Alegre Silver Mining Company, Limited, and BT2/1367 The Tuscan Copper Company, Limited.

[181] NAS BT2/435 The Consolidated Copper Company of Canada, Limited; see also *Times* article 15th July 1872 and full page prospectus advertisement in *The Economist* 13th July 1872.

This contrasts with the fortunes of agricultural crop and livestock companies which enjoyed much longer lifetimes; in the livestock industry, hosted in New Zealand, Australia and in the 1880s in the US West, companies attracted capitalisations more than four times the size of those in crop farming. Companies in arable farming appear able to have survived for long periods with relatively low capitalisations, despite the long gestation period these companies would have had to endure in waiting for their plantations to bear fruit. The land dependence of arable companies may support their relatively long liquidation delays although liquidation delays were longest in companies dealing mostly in real estate. This seems likely to be because of the difficulties often encountered in disposing of unattractive lands; a protracted process which often took many years for liquidators based in Scotland to complete.

Figure 3.1 – Scatter Plot – effect of Nominal Capital on Company Lifetime



Note: Company lifetime until liquidation is company lifetime until the company enters liquidation. This is based on Mean Lifetime 1 in **Table 3.7**. Two outliers, the original New Zealand and Australian Land Company Ltd., and its successor company, have been removed as their nominal capitals, at £2million and £2.5million respectively, were much larger than those of the rest of the population.

Figure 3.1 above tests the hypothesis that a higher nominal capital should help a company enjoy a longer life. No clear trend is discernable here – a number of companies with a nominal capital of less than £100,000 survived for relatively long periods, including two which survived for forty years. Similarly a number of companies with nominal capital in excess of £200,000 failed to survive longer than ten years. Hence nominal capital cannot be assumed to be a determining factor in the life of a free-standing company, no matter how much promoters might have tried to use a high nominal capital to enhance a new company's prestige.

Table 3.8 Reasons for dissolution – most frequent SIC codes

Two digit code	**Class Name**	**Host (a)**	**Liabilities (b)**	**Merged (c)**	**Re-reg'd (d)**	**Struck Off (e)**	**Voluntarily Wound Up (f)**
1	Agricultural Production – crops	0	0	3	1	1	5
2	Agricultural Production livestock and animal specialties	1	2	3	4	0	9
10	Metal Mining	0	5	3	3	2	18
22	Textile mill products	3	0	0	1	0	1
24	Lumber and wood products, except furniture	0	2	0	0	1	4
65	Real estate	0	1	2	1	4	11
	Total sample (91 companies)	4	10	11	10	8	48

a) Company moved its registration to its host country.
b) Company was wound up as its liabilities were too great to continue trading.
c) Company merged or sold to another company.
d) Company wound up, then re-registered under a new name, usually to carry on the same firm.
e) Company struck off the register, usually due to inactivity.
f) Company wound up following Voluntary Winding Up Resolution of board meeting.

Table 3.8 summarises the reasons given for the dissolution of companies. While voluntary liquidation accounted for 50% of cases here, it should be noted that often the reason for winding up was not stated to the registrars, nor was it compulsory to state it. Thus it is possible that more cases from the voluntary category actually belong to the liabilities category; that of companies that were wound up due to their liabilities becoming too great to continue. As might be expected, this was a frequent occurrence in metal mining as the value of a mining company's main asset, mineral rights, depended on the actual presence of workable mineral reserves there; this value would have to be reduced if such minerals were not present or accessible. In some cases voluntary winding up occurred when a company was felt to have fulfilled its original purpose. This appears to be common in the case of real estate companies which often sold off their entire stock of land gradually returning the proceeds to their shareholders by reducing their authorised capital as in the case of the Scottish American Land Co Limited which resolved to wind up to return the proceeds to its shareholders in 1892.[182]

A further area of ambiguity is that surrounding take-overs and mergers. Some of the companies which are listed here as having merged may in fact belong in the 'host' category of companies in **Table 3.8** which became registered in their host country. Mira Wilkins suggested that British owned FSCs operating in the US frequently changed their registration to local jurisdictions once the company had become well established, notably citing the example of Eastman Kodak which moved its registration to gain US tax advantages and improve managerial efficiency.[183] This does not seem to have been such a frequent phenomenon as Wilkins suggested, at least for the Scottish FSCs of this period. However, two of the FSCs which naturalised their registrations were long-established jute companies operating in India; the India Jute Company (Ltd.) which moved its registration to India in 1917[184] and the Champdany Jute Company Limited[185] which transferred its operations to an Indian registered company from 1921. These two companies are also distinct in that they were manufacturing companies as well as extractive companies and may have had more of an incentive to move control to

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[182] NAS BT2/957, The Scottish American Land Company, Limited, registration file.
[183] Wilkins, "The Free-Standing Company, 1870 - 1914: An Important Type of British Foreign Direct Investment," p. 277.,
[184] NAS BT2/232, The India Jute Company (Limited), registration file.
[185] NAS BT2/496 The Champdany Jute Company, Limited, registration file.

India to focus further on developing competitive advantage. The Camperdown Trading and Pressing Co. Limited has also been included in the 'host' category as it was sold in 1882 to a company known as the Camperdown Pressing Company which did not appear in the Scottish registers, and presumably was registered in India and may have had similar shareholders.[186] The fourth company which moved into local registration – The Swan Land and Cattle Company, did so in order to have a US based board manage the sale of its lands after entering liquidation in 1925.[187]

One further category of dissolution includes the eight companies, most of which were in the mining or land sectors, which were struck off the register due to inactivity. This usually meant that a company had neither outstanding liabilities to be paid nor assets to dispose of, but some exceptions did occur. In some cases it may have meant that the number of directors or shareholders had dropped below the required level set out in the Articles of Association, such as when the Glasgow West African Company was dissolved in 1880 after dropping below the minimum seven shareholders.[188] Another situation was that of the Consolidated Copper Company of Canada promotion in 1872 when promoters simply found a lack of interest from investors following hostile reports in the newspapers.[189] This meant that some companies were simply abandoned without a formal liquidation process, particularly if the liquidation was likely to cost more than any assets to be recovered. In some cases such as that of the Gibbas Mining Company Limited (which itself was a re-registration of an earlier company formed to work the same property in Italy) a reasonable amount of capital had been raised (in this case

[186] NAS BT2/694 The Camperdown Trading and Pressing Company, Limited, registration file.
[187] NAS BT2/1225 The Swan Land and Cattle Company, Limited, registration file.
[188] NAS BT2/235 The Glasgow West African Company Limited, registration file.
[189] The Consolidated Copper Company of Canada promotion of 1872 sought to raise £400,000 to purchase two copper mining complexes in Canada. Unusually for a Scottish FSC, the shares were very widely promoted, with a prospectus advertisement appearing in *The Economist* of 13th July 1872, and *The Times* of 15th July mocked the company's promise of a 40% return for shareholders. The company was very quickly wound up without even submitting a shareholder's register. NAS BT2/435, The Consolidated Copper Company of Canada (Limited).

£14000 over three years) before activity gradually ebbed away in the mid 1880s.[190] Regulation was lax enough to allow such company registrations to continue for a surprising period – the mean lifetime for the ten struck off companies in the whole study was 13.7 years.

3. 6 Profit or Loss?

This section will take a brief look at the success levels of Free-Standing Companies based in Scotland and formed before 1885, based on the available data, which in the majority of cases is scant. Those companies still surviving after the introduction of compulsory balance sheet filing in 1908 allow us to gain some idea of the likely previous profitability of FSCs closer to their formation and some idea of their worth in the long term. A further difficulty is that it is unclear if profits that are reported are gross or net, for instance of Home Office charges. Only two mining FSCs formed between 1862 and 1885 were still surviving in operation in this period; the already mentioned Seville Copper and Sulphur Company sponsored by Irvine based chemical manufacturer William Henderson, and the second incarnation of the Arizona Copper Company, the early life of which is examined in detail in **Chapter 5**.[191] The Seville Company continued to operate in Scottish hands until the late 1920s when it was purchased by the Esperanza Sulphur and Copper Company, a London based company formed in 1906.[192] The book value of this company in 1908 had reached £225,741 15s 7d showing a gain of £105,741 15s 7d over the paid-up capital of £120,000. Much of this was due to large cash reserves; Seville's mining properties were valued at only

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[190] NAS BT2/984 The Gibbas Mining Company, Limited, registration file.

[191] NAS BT2/507. Initially Henderson held 39,994 shares out of a total of 50,000 and the vendor, William Percival Partington was awarded 9,680.

[192] See the prospectus advertisement in *The Times*, Tuesday February 20th 1906, p. 2. An article in *The Times*, Wednesday June 5th 1929, p. 20, suggests that the Seville name was going to be kept and Esperanza's own Spanish properties to be transferred to it – Esperanza also owned some properties in Cyprus. See NAS BT2/776 regarding the sale of Seville to Esperanza.

£71,319 1s 10d and net profit recorded as only £19,825 18s 3d although this soon fell away – by 1913 profits had dropped to only £10 17s 5d and book value to £187,544 15s 8d. The 1908 figure suggests an impressive approximate return on paid-up capital of 16.52% per annum although this was clearly susceptible to operating conditions.[193]

Among the SIC category 01 (Agriculture – Crops) companies, some of the Indian hosted tea companies survived for long enough to file balance sheets. The Glasgow based Agricultural Company of Ceylon was registered in 1883 to act as a landowner but also with rights to pursue agricultural activities directly.[194] A £545 10s 5d debenture holding in the Argentine Great Western Railway was also reported. Agricultural activities gained precedence by 1909 when a book value of £19,590 6s 3d was reported with gross profit reported at £1,551 18s 6d from income of £5,257 9s 5d gained from tea sales on the London market. This represented a return on paid-up capital of almost 5% which appears reasonably favourable given the longer lives of companies operating in the arable sector generally. Even more favourable was the 42% return on paid-up capital offered by the Taprobane Tea Company in 1907; this Edinburgh registered company operating in India had a paid-up capital of only £4,970 but reported a profit of £2,068 16s 3d.[195] Book value remained at only £7,366 19s 1d, suggesting that much of the profit was paid out in dividends rather than reinvested in the company, particularly as cash holdings remained minimal. Such large returns appear to have been common among the more successful companies in arable farming; the sector has one of the lower average paid-up capital figures in the study, at only £25,057; among tea companies in particular this seems to have been even lower with the exception of the twin North and

[193] NAS BT2/776 Balance Sheets, 1908-13. Return on capital calculated using a simplified Return on Capital Employed formula: $\text{Return on Capital} = \frac{\text{Balance of Profit/Loss Account}}{\text{Paid-up Capital}}$

[194] NAS BT2/1238, Agricultural Company of Ceylon Ltd., registration file.

[195] NAS BT2/1447, Taprobane Tea Company Limited, registration file. Again Return on Paid-up Capital was calculated using a simplified Return on Capital Employed formula:

$$\text{Return on Capital} = \frac{\text{Balance of Profit/Loss Account}}{\text{Paid-up Capital}}$$

South Sylhet Tea Companies which boasted paid-up capital amounts of £426,570 each upon their merger into Consolidated Tea and Lands in 1902.[196]

For companies involved in livestock farming, results were initially favourable; in the early 1880s companies such as the Texas Land and Cattle Company paid some generous dividends (12.5% in 1883 and 1884) to attempt to emphasise to their shareholders that they would generate returns.[197] After 1885 returns from the cattle industry dried up; the Texas Company reduced its paid-up capital in 1893 after paying no dividends for eight years, although some smaller dividends in the region of 6% were achieved by this company in the early twentieth century as competitors scaled back production or exited the industry. In cattle the lack of experience of promoters in the field appears to have been a problem; because of the large amounts invested in paid-up capital (the mean fully paid-up capital in the sector was £72,542) the pressure to pay dividends was very high even if this meant only that investors were being handed back their own money. Possibly the most extreme case was that of the first cattle company to enter the market, the Prairie Cattle Company, which after being formed in 1880 paid a 10% dividend in 1881.[198] Shares were reported to have reached a premium of £18 by 1882 and, to take advantage of this, nominal capital was increased to £500,000 with new issues of shares. By 1884 paid-up capital had reached £250,000 and a 20% dividend was claimed. Such exuberance appears to have reflected a lack of realisation that in a cyclical commodity industry building up some cash reserves was useful as a buffer in the event of a year of low production or the onset of low market prices caused by overproduction or exogenous shocks. By contrast, the case of the Seville Sulphur and Copper Company noted above shows that it was possible to build up cash holdings against difficult market

[196] See registration files NAS BT2/1157 and BT2/1158 – these two companies were registered on the same day with the same capitalisation and directors. This registration appears to reflect a desire to spread risk between two diverse land holdings.
[197] NAS BT2/1075, Texas Land and Cattle Company Limited, registration file.
[198] NAS BT2/1003, Prairie Cattle Company Limited, registration file.

conditions – although in the case of the Seville Company this was made possible by the shares being concentrated in the hands of William Henderson and his successors, thus removing the pressure for returns from a wide body of shareholders.

Also in Spain was the single surviving utility company: the Huelva Gas and Electricity Company Ltd. which was formed in Glasgow in 1888.[199] This company appears to have originally intended to have taken advantage of the region's pyrites industry and the strong British influence in the area as it also stated a purpose to manufacture sulphuric acid and sulphate of ammonia. The Huelva Gas and Electricity Company represented a little noted facet of British activity there – it is not mentioned in the company studies of Checkland and Harvey or even in Avery's book about Rio Tinto, which looks more at the socio-political aspects of the Rio Tinto operation.[200] Its main base was the concession purchased to supply Huelva town, the main port used by both the large Rio Tinto and Tharsis companies, with gas in 1878. Electricity rights were added in 1896. Acting as the main local utility was the company's core activity; by 1908 it reported a book value of £57,708 1s 8d and a profit of £3,769 8s 4d, representing a return on paid-up capital plus debenture stock of around 7%. This level of success continued although returns diminished with the last dividends being paid on ordinary stock in 1911. The electric and gas plants were closed in 1917 and their remains sold in May 1919, with the company being wound up soon afterwards.[201]

[199] NAS BT2/849, Huelva Gas and Electricity Company, registration file.
[200] D. Avery, *Not on Queen Victoria's Birthday: The Story of the Rio Tinto Mines* (London: 1974), Checkland, *The Mines of Tharsis: Roman, French and British Expertise in Spain*, Harvey, *The Rio Tinto Company; an Economic History of a Leading International Mining Concern, 1873 - 1954*.
[201] *Stock Exchange Official Yearbook* entries for 'Huelva Gas and Electricity Company Ltd.', 1918 and 1919.

3.7 Conclusion

The experience of Scottish Free-Standing Companies formed during the period 1862-1885 was clearly very varied. The well known sectors of mining and farming, both arable and pastoral, have been found to be of paramount importance in this chapter, but a multitude of other unusual schemes have also come to light. Some of these were failures, either over a short career or even almost instantly, such as Bunney's Royal Lisbon Company, or the West Pacific Company's ill fated Japanese sawmill development, and they represented a waste of productive resources for both home and host country. Others, such as the Huelva Gas and Electricity Company, or the River Plate Telegraph Company, proved very successful and generated profits for their shareholders for many years as well as doubtless contributing to economic development in their host countries. Among the companies in the more familiar mining, farming and real estate sectors, experience was equally varied, suggesting that choice of market to enter, or the offer of an apparently good opportunity abroad from a promoter could not alone guarantee success. This chapter has usefully highlighted this diversity which was not altogether clear from previous work on the subject; much of the investment in mining, particularly in copper and sulphur, by Scottish companies has effectively been ignored by historians who have tended to focus on the agricultural side of things.

Similarly, in explaining the parts of the world in which FSCs were established, previous literature has tended to focus on the targeting of specific countries by certain industries. Inevitably, in terms of livestock farming and real estate investment, activity in the US has been the focus of writers such as Jackson and Kerr. This chapter has shown that in terms of paid-up capital, Australia and New Zealand were at least as important as the US, and the next chapter will go on to look at these companies in more detail. Australia and New Zealand arguably presented more opportunities for FSCs in this industry because they could integrate or cluster down the value chain as their domestic markets were not as developed in this industry as those of the US.[202] This led to the appearance of one free-standing company in the Sausage and Other Meat Products SIC category, which was the New Zealand Meat Preserving Company. In arable farming, and also in the related field of textiles, historians of jute have rightly drawn attention to the role of Scottish investment in India, but less so that in Ceylon or South Africa. A further important contribution as far as destinations for investment go has been to draw attention to the twenty one FSCs targeting mainland Europe, stressing that while the main tide of British foreign investment was switching generally away from Europe, some entrepreneurs remained interested in opportunities. A common assumption that has also been dealt a blow here is that regarding South America – in this type of investment the Scots were showing little enthusiasm for this region.

This chapter has also shed light on the approach to investments in fields such as metal mining. By investigating the way in which companies were wound up, it makes a new contribution to thinking about the approach of promoters to these companies. By far the most popular category of winding up among the 92 companies looked at among the main sectors was voluntary dissolution – suggesting that if a company looked likely to fail, capitalists were happy to cut their losses at that point. This would appear particularly to be the case in metal mining where companies did not take a portfolio approach to mining properties, instead being formed for a single project which could

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[202] The US was already developing a well organised and industrialised meat trade in the late nineteenth century as its mass urban markets grew, with Chicago based firms such as G. F. Swift and P. D. Armour securing distribution to US East Coast markets by the late 1870s. See R. A. Clemen, *The American Livestock and Meat Industry* (New York: 1923), pp. 225-251. This story was later picked up by Alfred D. Chandler in Chandler, *Strategy and Structure: Chapters in the History of the Industrial Enterprise*., and Richard Perren noted that the US 'meat packing' firms entered the British market via chilled exports by the 1890s. R. Perren, *The Meat Trade in Britain 1840-1914* (London: 1978), pp. 165-172. There were fewer opportunities for livestock FSCs in the US to integrate downstream – by contrast the situation in Australia and New Zealand encouraged such downstream integration and clustering activity as the domestic market was smaller and less developed, and required large investments to take frozen cargoes back to the UK market.

easily be abandoned if it proved unworkable and that part of the capital not already invested returned to shareholders, if indeed any capital had been called. The fact that this speculative approach to investment existed in Scotland has not been discussed much in previous literature on the subject – writers such as Jackson, Kerr and Payne tend to work on the premise that companies were expected to succeed.[203] Instead, as noted above, some companies such as the Seville Copper and Sulphur Company or the Dundee based jute companies were established as Free-Standing by already successful entrepreneurs who did not want to risk the success of their existing business by bringing their risky vertical investments inside the boundaries of their present firms. Other FSCs had no obvious link to any domestic industry but were established as Free-Standing to raise capital for schemes too risky for an already successful investment trust (see **Chapter 6** for two in-depth examples of this). Seen in the context of a wider portfolio, where risk was spread between ventures, the fact that a lot of FSCs failed is perhaps not surprising. In most cases their promoters and probably their investors would have expected them to fail, but bought shares because there was a chance that an FSC might make a profit, allowing them to collect large dividends before selling the shares at a premium.

On the contrary Scots from the country's larger cities were prepared to take risk at different times. Glaswegians showed a consistent appetite for risk, particularly as Glasgow was home to a number of the speculative mining FSCs. Edinburgh was also home to speculations, such as the Arizona Copper Company, which as will be seen in **Chapter 6** was treated essentially as a speculation by its Edinburgh board of directors.

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[203] See especially Payne, *The Early Scottish Limited Companies, 1856 - 1895*, p. 48. Payne argues, without much evidence, that the smaller financial community in Scotland encouraged 'higher standards of commercial morality'. Arguably at the same time such a small and tight knit community encouraged less transparency as core entrepreneurs and investors had less incentive to openly advertise their schemes, and this explains why there is so little evidence about the internal structure and strategy of many of the companies looked at here.

Part of the reason for this was that such directors were usually treating such mining companies as side projects at best and had less of an incentive to invest in a controlling structure suitable to manage such businesses.

The following chapters move on to examine FSCs inside the box to look at the management structures that FSCs put in place more closely, and examine how effectively FSCs functioned as businesses. Chapters 4 and 5 examine the history of the Canterbury and Otago Association and the New Zealand and Australian Land Company Ltd., examining how they created effective business organisations. This they achieved despite operating on a different side of the world to their head offices. This will be followed in Chapters 6 and 7 which examines the attempts of Scottish Free-standing companies investing in the US to create organisations that could work on a trans-Atlantic basis.

Chapter 4 - Ownership and Control – Free-Standing Companies in Australasia

This Chapter examines the structure and management style of the Canterbury and Otago Association and the New Zealand and Australian Land Company between 1866 and 1877 to investigate how they operated as Free-Standing Companies. It looks at the extent to which these companies were managed from Scotland and offers new conclusions about the potential for knowledge transfer in Free-Standing Companies.

4.1 Scottish FSCs in Australia and New Zealand

This chapter is the first of five qualitative chapters focusing on the 'inside the box' structure and management style of Scottish Free-Standing Companies. So far this thesis has examined Scottish Free-Standing Companies from a distance, describing the direction of FSC formation and its extent. This chapter examines two FSCs which were very important yet have been under-researched examples of the type based in Scotland and operating in New Zealand. One of these companies, the New Zealand and Australian Land Company Ltd. (NZALC), had the largest capitalisation of any company mentioned in **Chapter 3** and was also one of the more successful companies, surviving until 1968 when it was absorbed by the Dalgety Group.[204] The other, the Canterbury and Otago Association Ltd. (C&O), was a similar company with a smaller capitalisation but a more geographically focused business model than the NZALC until it merged into the latter in 1877. By the First World War, the NZALC claimed to be the largest pastoral company in the world.

These two companies are interesting because their experience can inform several debates on Free-Standing Companies in terms of their structure and their ownership - the two companies had a typically interlocking set of directors and even shared a General Manager and Head Office based in Glasgow. At times both relied on the same

[204] L. Richmond and B. Stockford, *Company Archives: The Survey of the Records of 1000 of the First Registered Companies in England and Wales* (Aldershot: 1986), p. 342.

managing agencies in New Zealand and naturally, there were many shareholders with holdings in both companies. The two companies occupied the same industrial sector – livestock farming – and within this concentrated on sheep and the wool trade. However, these companies were not merely interlocking investment societies delegating their strategy to managers based in the host economies. The Glasgow board meetings of both companies took active decisions right down to specific investments in machinery or irrigation improvement on particular farms, even though these farms were many thousands of miles away. Further, some interest was taken in vertical integration into distribution, and associated companies such as the New Zealand Meat Processing Company[205] and New Zealand Refrigeration Company[206] came into existence to purchase the products of both companies.

More widely, both companies are thought to have had a considerable impact on the early development of both host countries – and particularly so in New Zealand where both companies invested in the newly developing provinces of Otago and Southland at a crucial time for their wider economic development. In the longer run, after the 1877 merger the New Zealand and Australian company continues to be credited today with helping to establish New Zealand as an important exporter of agricultural produce to the UK from the 1880s – particularly in dairy production and frozen meat.[207] In addition, investment in animal husbandry proved fruitful, with new breeds of sheep being developed whose wool and meat were of equally high value.[208] These fortunes contrast heavily with the fortunes of the sixteen cattle based Scottish FSCs in the United States, only a few of which survived into the twentieth century, and the last of which (the

[205] See National Archives of Scotland BT2/512.
[206] Brooking, "'Tam McCanny and Kitty Clydeside' - the Scots in New Zealand," p. 169.
[207] See, for instance Colin Williscroft, ed., *A Lasting Legacy - William Davidson 125* (Auckland, New Zealand: 2007)., a promotional magazine produced by NZ Rural Press Limited with the co-operation of the New Zealand Beef and Lamb Marketing Bureau and Meat and Wool NZ, among other industry bodies.
[208] Ibid.

Matador Land Cattle Company Ltd.) lasted only until 1951 and then was not sold as a going concern.[209] None of the US companies appear to have invested substantially in improving the quality of their livestock or in its distribution, nor were they as managerially adept as the two Australasian companies came to be.

4.2 Previous Companies and other links

The Canterbury & Otago Association (C&O) and the New Zealand and Australian Land Company (NZALC) were not the first link between Scotland and Australasia. Various studies have already examined the influence of Scots settlers upon the economy and social structure of both countries,[210] and this extends into the area of expatriate enterprise. Although larger landowners and corporate landowners had an important role in farming in both countries, smaller farmers were initially dominant and later retained an important role.[211] This was a particular problem where property rights were not well defined as yet and mapping of claims was not accurate. As early as 1866 the C&O was forced to invest in fencing, not to keep its stock from escaping, but to stop small settlers from encroaching upon its land.[212] This was a particular problem in both countries

[209] Swan, *Scottish Cowboys and the Dundee Investors*, p. 78.

[210] All of the following deal with Scottish settlement and influence in Australia to some extent. For an overview see M L Kiddle, *Men of Yesterday: A Social History of the Western District of Victoria 1834-1890* (Melbourne: 1961)., Prentis, *The Scots in Australia: A Study of New South Wales, Victoria and Queensland, 1788-1900*., and Prentis, *The Scots in Australia*., Richards, "Australia and the Scottish Connection, 1788-1914.", and D B Waterson, *Squatter, Selector and Storekeeper: A History of the Darling Downs 1859-93* (Sydney: 1968). For New Zealand see: Brooking, "'Tam McCanny and Kitty Clydeside' - the Scots in New Zealand.", H. J. Hanham, "New Zealand Promoters and British Investors, 1860-1895," in *Studies of a Small Democracy: Essays in Honour of Willis Airey*, ed. R. Chapman and K. Sinclair (Auckland: 1963).

[211] For a good explanation of the historical pattern of European land settlement in Australia, the initial settling of land by independent squatters, the influence of small settlers upon the Colony governments and then the later subdivision of lands see S. H. Roberts, *History of Australian Land Settlement, 1788-1920* (Melbourne: 1924). In New Zealand the country had been settled by small settlers but came to be dominated by large landowners. Small farmers became an important pressure group and the Liberal government of 1890 was elected partly on the basis of democratising access to land. For a good general account of these political changes see James Belich's two volume history of New Zealand: J. Belich, *Making Peoples: A History of the New Zealanders from Polynesian Settlement to the End of the Nineteenth Century* (Auckland: 1996)., and J. Belich, *Paradise Reforged: A History of the New Zealanders from the 1880s to the Year 2000* (Honolulu, Hawaii: 2001).

[212] NAS GD435/2, minute of meeting, 19 October 1866.

which were still very much 'frontier' colonies in this period, with settlers attempting to settle whatever land they could occupy (or squat on) along with livestock. Both companies had particular problems with this on runs (the term used in Australia and New Zealand for large farming estates) which were leased from the colonial government. Governments, being influenced by the need to accommodate smallholders, leased small parcels of land in the middle of runs to independent settlers. In both countries a substantial proportion of these small settlers originated from Scotland: one set of estimates for Australian pastoral regions in the 1840s suggests that the proportion of Scottish squatters in New England (New South Wales) was 34% of the total, while in the neighbouring Darling Downs (Queensland) Scots accounted for 33% of the total.[213] Meanwhile in Moreton Bay (Queensland) Scots were claimed to account for 46% of the total[214] and, most dramatically, two-thirds of the pioneer settlers in Western Victoria were claimed to be Scottish.[215] Although settlers from other national groups entered these areas of Australia, notably from other parts of the UK and even from Germany, a considerable Scots influence appears to have persisted for much of the nineteenth century.[216]

Across the Tasman Sea Scottish settlers were very influential in the early development of the Otago region based around its capital, Dunedin, which was an important establishment of the Free Church of Scotland. This scheme had been promoted in Edinburgh in the 1840s with the aim of establishing an almost exclusively Scottish settlement – a study by Maxwell revealed that as many as 80% of immigrants to Otago

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[213] Prentis, *The Scots in Australia: A Study of New South Wales, Victoria and Queensland, 1788-1900*, p. 94.
[214] Ibid.
[215] Kiddle, *Men of Yesterday: A Social History of the Western District of Victoria 1834-1890*, p. 14.
[216] Waterson, *Squatter, Selector and Storekeeper: A History of the Darling Downs 1859-93*, p. 127., notes that 17,360 German migrants arrived in Queensland between 1861 and 1879.

between 1848 and 1860 were Scots.[217] Scots smallholders in Otago became influential in mixed and sheep farming in open country districts – it has been suggested, although not entirely conclusively, that, as many of these farmers originated from areas where the existing land was relatively poor such as the Highlands, they were able to transfer their experience to these rougher parts of New Zealand without great difficulty.[218] Scots settlers acting independently in Otago have also been credited with innovations such as the adoption of a more scientific approach to farming to increase outputs.[219] Further, Scots in Dunedin itself became involved in the trading and financial industry establishing the city as a pre-eminent trading centre in New Zealand during the Maori wars which raged on the later more influential North Island between 1860 and 1872, disrupting settlement and commerce.[220] The relative importance of these developments for both the C&O and the NZALC will be discussed further below.

There were also earlier trading and investment company operations which predated the modern FSC, particularly on the Australian side where large scale European settlement started around thirty years in advance of that in New Zealand. Some of these organisations, in the form of joint holdings by individuals termed associations, such as the Glasgow Association, London Association and Holmes Association, were absorbed by the NZALC on its formation in 1866.[221] Other agricultural companies, such as the Clyde Company, established in October 1836, were already in liquidation by the late 1850s. The Clyde Company had its origins in Glasgow as it was sponsored by merchants from that city, raising a paid capital of £8,400 but this link appears to have been merely nominal.[222] There seems to have been little interest in supervising

[217] Brooking, "'Tam McCanny and Kitty Clydeside' - the Scots in New Zealand," p. 159.
[218] Ibid., pp. 176-177.
[219] Ibid.
[220] Ibid., and P M Smith, *A Concise History of New Zealand* (Cambridge: 2005), p. 70.
[221] NAS GD435/6 minute of NZALC Board Meeting, dated 18th June 1866.
[222] Kiddle, *Men of Yesterday: A Social History of the Western District of Victoria 1834-1890*, p. 39.

management from Glasgow and most authority was vested in two Scottish émigré half brothers, George and Philip Russell. Little is known about the finances of this company but it appears that George Russell, the longer lived of the brothers, effectively ran the company from the Golf Hill run in Victoria, eventually buying out the interests of the Glasgow promoters in 1857.[223] On the basis of paid capital, the Clyde Company appears to have represented a very small investment compared to the later companies: if UK GDP growth is used as an indicator of monetary value, then £8,400 in 1836 was worth only £15,802 9s 9d thirty years later when the NZALC initially issued £409,000 worth of stock.[224]

Other similar enterprises survived longer, although they were more focused upon finance for farmers rather than operating farms on their own account. One of the more successful early companies was the Aberdeen based Scottish Australian Investment Company which was established in 1840 with a capital of £100,000. This company sought contributions from small shareholders around Scotland and dispatched a manager, R. A. Morehead, to Sydney to manage its operations directly although it appears to have concentrated upon the mortgage industry and later upon investment in mining.[225] In addition in Aberdeen a year earlier the North British Australasian Company had also begun operations in Sydney with ambitions to operate directly as a pastoral and agricultural company. It had raised capital of £50,000 but unfortunately failed to value accurately its first estate at Lochinvar, New South Wales, and ended up in debt for several years.[226] Despite this the company continued to survive, later

[223] Prentis, *The Scots in Australia: A Study of New South Wales, Victoria and Queensland, 1788-1900*, p. 93.
[224] Calculated using Lawrence H. Officer, *Five Ways to Compute the Relative Value of a U.K. Pound Amount, 1830 - 2006* (2007 [cited 23rd October 2007]); available from http://www.measuringworth.com/ukcompare/., NZALC figure from NAS GD435/6.
[225] Richards, "Australia and the Scottish Connection, 1788-1914," p. 133.
[226] Ibid., p. 132.

expanding into Queensland.[227] However, these precursor companies were not as innovative in the longer term as the New Zealand & Australian Land Company, failing to develop their business models beyond acting as mere investment vehicles.

4.3 The City of Glasgow Bank

In the Scottish sphere the C&O and NZALC are interesting, for two reasons. They were more successful and longer lived than many of their contemporary peers, and they were closely tied to the infamous City of Glasgow Bank which collapsed in 1878. Much of the borrowing of both companies had relied upon unsecured loans from the bank, partly because of Lewis Potter's interlocking directorship in the bank and in both companies.[228] The bank itself was also heavily involved in lending to private speculators in Australia and New Zealand while disregarding the value of actual deposits with the bank. Further, James Morton, General Manager in Glasgow of both the C&O and NZALC since inception, had been allowed to borrow almost without restriction from the bank for personal speculation while using his company stock as security. Morton had substantial personal or joint holdings in both companies, holding 46.28% of the C&O shares, and 39.54% of NZALC shares personally, with a further 12.38% joint holding with other directors, effectively giving him 51.92% of the NZALC. After the bank collapse Morton's stock in the merged NZALC was held by the creditors of the bank who formed the Assets Company Ltd in 1882 to manage these holdings as well as land speculations in New Zealand and Australia that had been

[227] Waterson, *Squatter, Selector and Storekeeper: A History of the Darling Downs 1859-93*, p. 239.
[228] M. S. Moss, *Potter, Lewis (1807–1881), Oxford Dictionary of National Biography Online Edition* (2005 [cited 9th June 2008]); available from http://www.oxforddnb.com/view/article/54002. See also lists of Directors in NAS BT2/197 and BT2/229, Companies House registration files of the Canterbury and Otago Association Limited, and the New Zealand and Australian Land Company Limited respectively.

surrendered to the creditors.[229] This also made the NZALC's extremely large capitalisation and book value at this time something of interest to the financial press, as the bank's chief liquidator, George Auldjo Jamieson, found that a lot of the realizable value of the bank's assets relied on those of the NZALC.[230] Speculation grew that the NZALC's assets were fictional like those of many other FSCs of the period, but they were not - after re-valuation in 1879 it was arguably these assets which helped the victims of the bank crash to recover.[231] This chapter will now move on to consider how these assets came into existence and how they were organised.

4.4 The Canterbury and Otago Association: Structure and Organisation, 1865-1877

This chapter will first examine the Canterbury and Otago Association before moving on to the NZALC, as the C&O was established first and was arguably more successful before its absorption by the NZALC. The Canterbury and Otago Association was initially registered on 28th April 1865 as having its head office at 16 Carlton Place, Glasgow.[232] The principal registered purpose, aside from the usual very general powers, was to 'purchase land of any tenure in New Zealand and improve the land/establish working farms to be resold later'. In addition a London office was announced at 16 Great St. Helens and indeed the initial board meeting was held at 34 Great St. Helens.[233] This company was only the fourth FSC to be formed in Scotland and at £500,000 had the largest nominal capital of any FSC yet registered, being five times the nominal capital of the previous largest company, the Irrawaddy Flotilla and

[229] See NAS BT2/1126, Companies House registration file of the Assets Company Limited.
[230] Jamieson would later go on to be involved in several of the Edinburgh cattle companies as well as the California Redwood Company and Arizona Copper Company, see NAS GD282/13/123-144 and GD282/13/154-8 respectively.
[231] Davidson, *William Soltau Davidson, 1846 - 1924*.
[232] NAS BT2/197.
[233] NAS BT2/197.

Burmese Steam Navigation Company.[234] A total of £207,000 worth of paid capital was subscribed with which three pastoral runs were purchased near the town of Timaru in Canterbury province on the South Island – Pareora for £31,000, the Acton Run for £50,000 and the Rhodes Stations for £40,000.[235] This accounted for £121,000 worth of investment in total.

In addition 13,000 sheep at Pareora and 20,000 lambs on the Rhodes Stations were purchased costing an additional £30,000. The total initial outlay had been £151,000, leaving the remainder of the capital for investment in equipment if required. Like many Free-Standing Companies, the Canterbury & Otago Association had progressed as far as the purchase of property in a British colony. In this case the land purchased was more than 18,000 kilometres (11,000 miles) away from Head Office, and around ninety days sailing time. All correspondence would have to be by post as the telegraph network did not reach New Zealand as yet (indeed it was only in 1872 that an intercontinental telegraph link reached Darwin, although internal routes had certainly been established in Australia by this point).[236]

Communication was likely to be especially challenging as the General Manager, James Morton, was to be based at the Glasgow office. Helpfully, at this stage Morton already had some experience with the operation of agricultural FSCs in New Zealand as he had previously been London based General Manager of a London based company, The New Zealand and Otago Agricultural and Land Investment Association Limited.[237] This company had been established in 1862 and appeared to have been Morton's

[234] NAS BT2/188.
[235] NAS GD435/2 minute of meeting, 19th May 1865.
[236] A. Briggs and P. Burke, *A Social History of the Media: From Gutenberg to the Internet* (Cambridge: 2002), pp. 134-135.
[237] See NAS GD435/1 which contains the minutes of the directors' meetings for the entire life of this company.

incorporation of a private venture in which he had sent £30,000 to New Zealand independently. Morton was repaid for this out of the starting capital of the company.[238] This company appears to have operated as a sort of landowning investment trust, purchasing relatively small freeholds on the North Island initially before moving into farming on its own account at the Hakataramea station in south Canterbury province.[239] This run was composed of 115,000 acres of leasehold land although not all of it was viable, a large proportion being mountainous and snow covered in winter although the lower land contained good pasture.[240]

To manage affairs in New Zealand, managing agents were appointed there: in this case Douglas Alderson & Co., a Dunedin based company.[241] Alderson's appear to have enjoyed a good relationship with Morton initially, despite their reporting of a 'backward state of accounts' in 1866, as Morton also appointed them to manage the New Zealand affairs of the Canterbury and Otago Association.[242] The New Zealand and Otago Agricultural and Land Investment Association Limited appears not to have been a success generally: it seems to have generated only £5,000 worth of income from wool in its entire lifetime and survived only by raising further share capital and mortgaging.[243] Part of the problem appears to have been the time it took to communicate orders to Alderson & Co. and it seems also that the board was prone to procrastination. For instance, it took the board two years simply to decide whether investing in fencing the run was necessary.[244] The board resolved in 1865 to meet on the first Friday after the mail had been received from New Zealand, although Alderson & Co. appeared to send

[238] Ibid., minute of meeting, 14th August 1862.
[239] Ibid., minute of meeting, 19th June 1863.
[240] Davidson, *William Soltau Davidson, 1846 - 1924*, p. 76. Leasehold land was land leased from the government, with the risk that the government could choose to sell or lease the any part of the land to someone else, such as small settlers. It was a cheap way to add to holdings but a riskier one too.
[241] GD435/1 minute of meeting, 22nd May 1863.
[242] Ibid., minute of meeting, 20th November 1866.
[243] Ibid., minute of meeting, 16th November 1865; there is no evidence of any other income.
[244] Ibid., minute of meeting, 21st June 1864 and 11th July 1866.

them scant information about the state of operations in New Zealand. The location of Hakataramea in a remote mountain valley 190km distant from Dunedin was a further drawback and it is unclear if anyone from Alderson & Co. had even visited the property. In 1865 the board also considered a merger with the C&O. In 1868 it was decided to merge into the C&O, effectively meaning that the C&O had gained a new property in New Zealand for £80,000 worth of shares and £66,666 13s 4d worth of debentures in itself.[245] Morton's first attempt at FSC management had been mostly unsuccessful, although perhaps the New Zealand and Otago Agricultural and Land Investment Association Ltd. had been managed in a minimalist speculative manner with little attempt at property improvement.

Meanwhile in his capacity at the Canturbury & Otago Association Morton was starting to establish more competent procedures. In 1865 a dispute arose over funding with Alderson & Co and led to their replacement. On 16th March Alderson's partner Matthew Holmes had written to the directors in Glasgow complaining at the lack of credit and promised remuneration that his firm were given for overseeing the C&O's expansion in New Zealand.[246] Holmes had been sent £150,000 to purchase the company properties in New Zealand. This responsibility included negotiating terms on these properties either with the government (to whom most of the land in New Zealand still belonged) or with their existing owners – in one case he claimed he had purchased the 'Rhodes land' from its owner Mr Rhodes with great difficulty as Rhodes left it only reluctantly.[247] This may have been an exaggeration, however, as according to a history of the Rhodes family the run, known as 'The Levels', was sold following the sudden

[245] Ibid., minute of meeting, 19th June 1868. This had included Holmes selling holdings of his own to the C&O.
[246] NAS GD435/2 minute of meeting, 23rd June 1865, quoting letter dated 16th March 1865.
[247] Ibid.

death of George Rhodes, the original claimant of the land.[248] Holmes was also responsible for securing the later much liked Pareora run from the government, and he had had to carry out favours such as placing credit notes with the Bank of Otago without charge.[249]

Alderson's had received 1.5% commission for investing these funds, and were entitled to receive 5% of profits, and to draw 2.66% or £4,000 in fees for their first year's services in general.[250] However, Holmes believed this was not sufficient for the work undertaken in travelling around to inspect these properties and negotiating for them – he complained that the Alderson firm was putting a large proportion of its resources into this work for little reward. Further, Holmes insisted in his communication that he 'never made a mistake or error of judgment'[251] – this claim would retrospectively appear to have had some truth as the estates selected by him, particularly Pareora, were later among the more successful in company ownership, especially according to the later General Manager William Soltau Davidson in his autobiography.[252] The early role of Holmes and of Alderson & Co. was never acknowledged by William Soltau Davidson: according to him the C&O's first agents at Dunedin were George Gray Russell & Co (later known as Russell, Ritchie & Co.).[253]

Relations with George Gray Russell & Co. appear to have been far more harmonious. Under this arrangement both partners, George Russell and Matthew Ritchie, had Powers

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[248] A. E. Woodhouse, *George Rhodes of the Levels and His Brothers: Early Settlers of New Zealand* (Auckland: 1937), pp. 172-181. According to this account George Rhodes had squatted on and then been given licence to possess this run from the early 1850s onwards. Following Rhodes' death in a farming accident in 1864, his relatives found that his will asked that they sell all the family's land in the Timaru area, including the Levels station. Conveniently, Holmes arrived on the scene for the C&O to purchase the land shortly afterwards – there is no suggestion by Woodhouse that the family made it difficult for Holmes to purchase – the Rhodes' family's lawyers were in agreement that they had to sell.
[249] Ibid.
[250] Ibid.
[251] Ibid.
[252] Davidson, *William Soltau Davidson, 1846 - 1924*, p. 76.
[253] Ibid., p. 108.

of Attorney to act for the company.[254] Their role was concentrated upon overseeing the staff on the existing runs (who were employed directly by the company) and representing the C&O to the government and other parties, particularly in terms of purchasing land and stock, and also in selling products such as wool and meat in New Zealand. Staff members on the runs were paid directly by the C&O and included from the start a hierarchy of managers, overseers, shepherds and labourers – a large number of shepherds and labourers were required as the runs were extremely extensive. The Hakataramea run, for example, consisted of 115,000 acres or 465 km² (179 square miles)[255] making it larger than Midlothian. Numbers are unclear but, because the area was one of recent settlement by Europeans, recruitment appears to have been difficult and so possible emigrants were recruited from Scotland to work for the company, even as shepherds. This was the experience of William Soltau Davidson who started as a shepherd for the C&O on their 'Levels' estate before progressing through the ranks. Davidson was recruited directly in Scotland by Morton for this purpose.[256]

The shepherds employed appear mostly to have been young single men who were expected to take up residence on the farms and whose wages were kept relatively low, partly because they were paid in rations of mutton and lamb. Davidson even remembered a labour dispute arising when farm hands insisted that they would rather be given hot chops for breakfast instead of cold mutton.[257] Management enjoyed much better remuneration. In addition to being accommodated on the runs they were given a reasonable salary. There is no data for the C&O as to what total value these salaries had. However in 1866 the board approved a rise of £100 in salary for Messrs Hassel and

[254] Ibid.
[255] Ibid., p. 76.
[256] Ibid., p. 16. Little evidence survives about how many employees the C&O had, but there is evidence that a hierarchy existed – Davidson himself tells us that he started as a cadet/shepherd, then progressed through the ranks to become an overseer and eventually into management.
[257] Ibid., pp. 13-16.

Smith, the managers of the Levels and Pareora stations, in recognition of the level of their responsibilities and value to the company.[258]

By 1868 a clearer hierarchy of control had emerged within the company. As will be explored below, the NZALC took much longer to settle into such a hierarchy. An established communication chain was fixed between Morton in Glasgow and George Gray Russell & Co. in Dunedin, and further it was Morton's role to report to the board regarding what was happening in New Zealand. Most major decisions, such as those relating to new land or stock purchases had to be passed back by mail to Glasgow, and often entailed a delay of between four and six months in decision making.[259] This could be problematic but there was no other feasible system which could be used at this stage as investment in operations in New Zealand relied almost entirely upon City of Glasgow or Union Bank of Scotland credits being sent out as funding. A particular difficulty (but one which would plague both the C&O and NZALC throughout their lifetimes) was the competition for land with small settlers that the company faced. This was a particular problem as noted above for the C&O as the land laws of Canterbury province allowed for small settlers to purchase freehold lands where the company only had leasehold rights.[260] This often necessitated rapid action to prevent the purchase of the most useful land on the runs, but the delay in sending the necessary funds to secure freehold rights where possible often meant that the C&O lost useful parcels of land. This problem may have been further compounded for the C&O by the fact that Russell's office was still somewhat distant from the majority of the C&O's land in Canterbury province. The only C&O property in Otago was the somewhat mountainous and rocky Deep Dell run inherited from The New Zealand and Otago Agricultural and Land Investment Association in 1868. Another difficulty which originally appeared to be an advantage in

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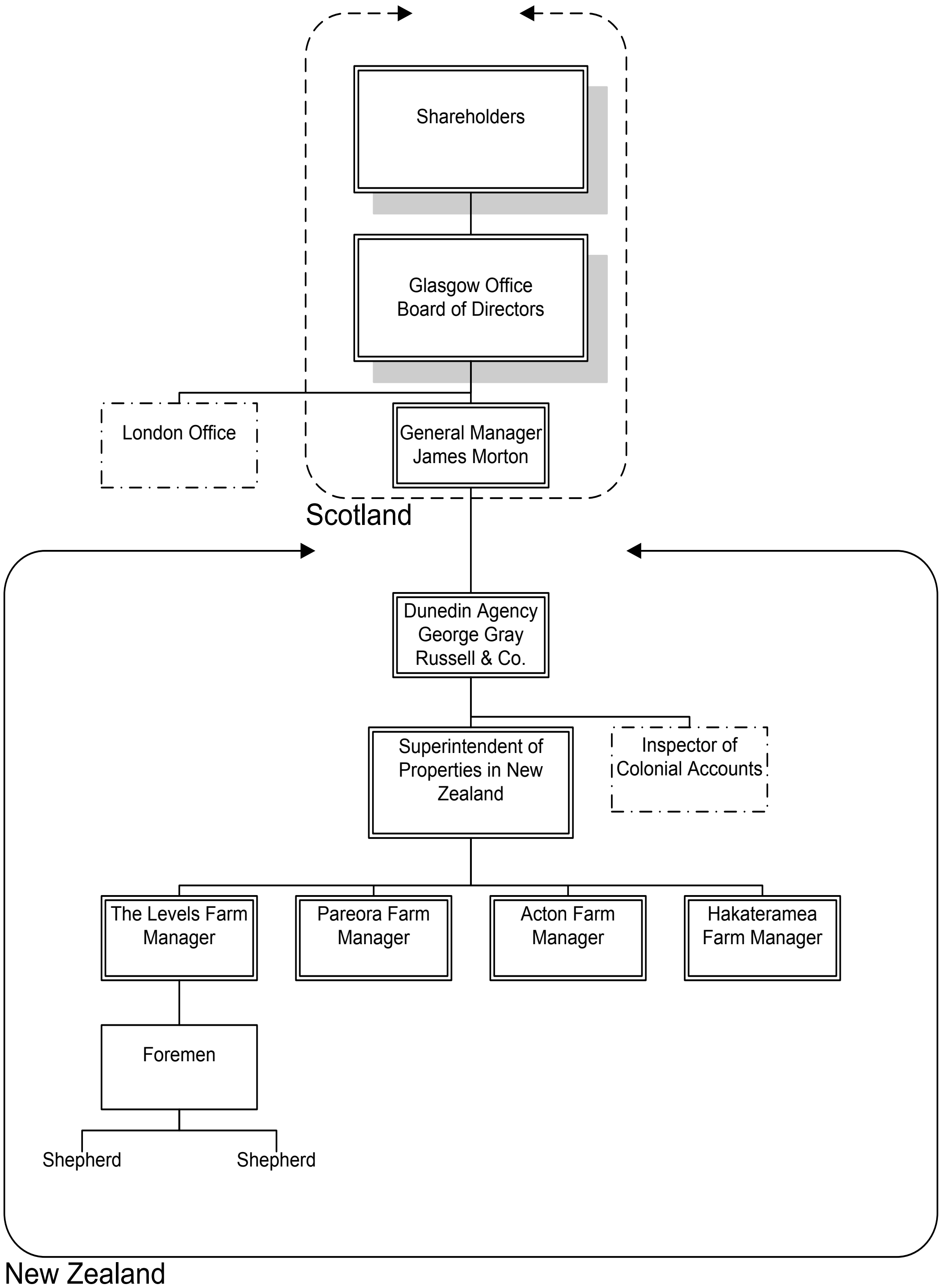
[258] GD435/2 minute of meeting, 23rd January 1866.
[259] Ibid; this correspondence was frequent, being at least monthly, but slow, taking 2-3 months to arrive.
[260] Davidson, *William Soltau Davidson, 1846 - 1924*, p. 16.

terms of market access was that the Levels and Pareora stations were close to the rapidly expanding port of Timaru and the main north-south railway line. This proved a double edged sword as it also made the area particularly attractive for settlement. In 1868 the C&O appointed Mr A.J. Anderson to be inspector of the colonial books, meaning that he was to audit the books of the company produced in New Zealand before they were returned to Scotland.[261] He also fulfilled this function for the NZALC and the New Zealand and Otago company, apparently partly in order to reduce the workload of Russell & Co.[262] However, moving into the 1870s the C&O company would soon prove to be relatively more successful than its NZALC counterpart – this will be explored further in **section 4.5** below.

Figure 4.1 below shows the organisational structure of the Canterbury and Otago Association between 1865 and 1877. At the top of the diagram, the first box, marked 'Scotland', shows the parts of the company that were based in Scotland, and floating at the side is the London office. Below this the box delineated with a solid line shows the parts of the company that were actually operating within New Zealand. Key here is that the C&O had some managerial capacity within Scotland, meaning that decision making capability remained there. The New Zealand agents, George Gray Russell & Co., were responsible for implementation rather than for decision making. The Superintendent of Properties was assisted by the Inspector of Colonial Accounts, who had no managerial capacity within the hierarchy, operating as an internal auditor. Below this each farm had its own hierarchy of management and foremen, down to the level of the individual shepherd.

[261] NAS GD435/1 minute of meeting, 28th February 1868.
[262] Ibid.

Figure 4.1 Canterbury and Otago Association Company Structure, c. 1865-1877



Source: This chart is based mainly on the minutes of meetings of the Board of the C&O (which the General Manager also attended). These can be consulted in NAS GD435/1 and 2. In addition the autobiography of William Soltau Davidson, who was recruited in Scotland and spent the early part of his career with the C&O working in New Zealand, was invaluable in filling in the gaps.[263] Note that each farm had its own hierarchy of foremen and shepherds – this is not shown for simplicity.

[263] Davidson, *William Soltau Davidson, 1846 - 1924*.

4.5 The New Zealand and Australian Land Company: Structure and Organisation, 1866-1877

The New Zealand and Australian Land Company was registered on 8th March 1866, initially to bring together a disparate set of about thirty-eight different property holdings in both Australia and New Zealand.[264] This company had the largest nominal capital of any Scottish Free-Standing Company in this period at £2,500,000 and in addition the highest paid capital at £1,250,000 eventually reaching £1,500,000 although a considerable proportion of this was represented in the stock allocated to the various associations that the new company brought together.[265] The main motivation for this appears to have been to seek Limited Liability for these holdings, particularly with the difficult backdrop of the Overend – Gurney crisis.[266] In addition, this allowed for some economies in scope of management between the properties and relieved the previous owners of the need to manage, or arrange the management of the properties themselves. In many cases the ownership of these holdings overlapped between different investors including both Lewis Potter and James Morton. The formation of the company would often make it possible for these properties to be invested in and operated intensively in order to produce returns other than those gained through property resale at a later time.

The NZALC shared its Glasgow office, 16 Carlton Place, with the C&O from the start in addition to sharing its General Manager, James Morton – this will be examined further below.[267] In addition a London office was opened at 34 Great St. Helens. An early concern was that it might not be possible for a Scottish based company to be

[264] NAS GD435/611/1/2, report by James Melvin 'Upon the properties of the company in New Zealand and Australia', Appendix No. 1, 'Showing Valuations of the Properties, with extent of Land and numbers of Stock, purchased by the New Zealand and Australian Land Company (Limited)'. This list showed the properties under company ownership at formation in 1866, when Melvin was sent out to the colonies to visit them and prepare a report on their condition.
[265] NAS BT2/229.
[266] M. S. Moss, *Potter, Lewis, 1807-1881. Oxford Dictionary of National Biography Online Edition* (2005 [cited 9th June 2008]).
[267] NAS BT2/229.

recognised as a corporate body in New Zealand and Australia. Instead it might be necessary to incorporate in the colonies also, or lands might have to be held in a trustee agreement as used by FSCs operating in some other jurisdictions, most notably the US.[268] Arguably this would not have created any operational difficulty but simply have meant that the lands were held in the names of the directors rather than of the company. A further feature of this transaction was that the syndicate owners of the lands purchased were bound to guarantee the company's profitability against an independent valuation of the properties until 1872.[269]

[268] NAS GD435/6 minute of meeting,, 23rd July 1866.
[269] See NAS GD435/6 minutes 18th June 1866 and 23rd July 1866.

Of the forty-four groups of property inherited by the NZALC, seven were in Australia, and of those four were in New South Wales, a further two in Queensland, and one in Victoria.[270] In New Zealand there were a further thirty sections of rural land, in addition to seven town sections, all in the Otago and Southland provinces on South

[270] At acquisition the Australian land totalled 1,194,400 acres of leasehold land and 767 acres of freehold; land, stock and plant there were valued at a total of £276,000. Report by the Director James Melvin, 'Upon the Properties of the Company in New Zealand and Australia', appendix no. 1. Dated 19th June 1867, NAS GD611/1/2.

Island.[271] Like the properties that the C&O acquired, these runs were often underdeveloped and lacking in management structure - it would take the NZALC some years of experiment (and numerous failures) before they were able to implement a successful progressive strategy for the whole company. This was made more challenging by the fact that the regions were ones of only recent settlement, particularly in New Zealand which had only joined the British Empire in 1840, and that there was relatively little knowledge of the climatic character of the regions.[272] New challenges presented themselves which made livestock rearing difficult – being in the southern hemisphere, firstly, the seasons were at the opposite time of year from those in Scotland. Secondly, the lands that the company owned were very diverse in terms of climate – the winters in Southland and Otago were extremely cold and wet, while by contrast Queensland was extremely arid and subject to periodic drought, often endangering livestock.[273] Only after exposure to these conditions and a relative lack of success on some farms in the 1860s and 1870s was the NZALC able to change its territorial emphasis to suit the best conditions for the livestock farming which became its specialism. A further benefit of this in the longer term was the ability to enter the real estate market both through the sale of land which was not considered appropriate for corporate farming to smaller farmers, and through the sale of land which had become more valuable for urban land use.

Like the C&O, the NZALC at first worked through mercantile agents. George Gray Russell & Co. were agents for the New Zealand side of the business, while Holmes &

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[271] At acquisition the New Zealand land totalled 185,437 acres of freehold and 201,137 acres of leasehold; land, stock and plant there were valued at a total of £900,899. Additionally there were five £40 shares in the Dunedin Daily Times Newspaper Co. Report by the Director James Melvin, 'Upon the Properties of the Company in New Zealand and Australia', appendix no. 1. Dated 19th June 1867, NAS GD611/1/2.

[272] Although unofficial British settlements had existed in New Zealand previously, the extension of the colony of New South Wales to include New Zealand and the Treaty of Waitangi in which Maori chiefs supposedly gave their consent to this in 1840 is usually taken to be the official start of British sovereignty over New Zealand. Belich, *Making Peoples: A History of the New Zealanders from Polynesian Settlement to the End of the Nineteenth Century*, p. 180.

[273] Davidson, *William Soltau Davidson, 1846 - 1924*, pp. 92-94, 118.

Co. of Melbourne (despite being distant from the company holdings in New South Wales and Queensland) were Australian agents. In addition a strong local management structure was established. For example, in Queensland where the company had a concentration of properties on the Darling Downs, Mr A B Buchannan was appointed regional manager with a responsibility for Queensland roughly equal to that of the managing agents in New Zealand and New South Wales.[274] Below this was a structure of regional inspectors who toured the properties looking for problems, and below them a system of farm managers or foremen who had responsibility for the shepherds and other farm employees.[275] An agricultural inspector was also employed in a central consulting role. Although it appears that this system was settled in relatively early by Morton and the managing agents, the first few years of the company's existence were noticeable for their agency disputes and spending overruns.

Agency problems frequently emerged as a result of management having other interests in mind apart from those of the NZALC. This was a period in which individuals could still split themselves between different employers or pursue personal interests at the same time as holding office. At the NZALC management contracts started to stipulate that employees could only work for the NZALC and that they could not pursue any outside interests.[276] As with the C&O, an important part of the farm manager's compensation package was that they were entitled to accommodation on the farm. A flaw with this was that managers were delegated the responsibility to arrange the design and construction of these houses, and inevitably some managers were somewhat freely using company funds to commission new houses that were excessively luxurious. A

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[274] NAS GD435/7 minute of meeting, 16th December 1867.
[275] Ibid., passim.
[276] For instance, in April 1868 the Glasgow Board sent a letter to John Douglas, the company's Regional Inspector in New Zealand at that point, to remind him that according to his contract he was 'not to act for any other company or person, or to transact any business on his own account but to devote his time and attention entirely to the affairs of the company'. NAS GD435/7 minute of meeting, 23rd April 1868.

company limit of £1,300 was set towards house building initially, but this was not enough for Mr McAulay, manager at the Totara property in northern Otago, who was told in December 1867 by the board that he personally must pay the excess £790 towards the estimate accepted for a new dwelling house. This incident led to a tightening of budgets for house building: on the Ardgowan run, also in northern Otago, the manager Mr Hunter was told to spend only £600 on a new house and to design it on a plan to allow future extension.[277] Later, in 1870, another station manager, Mr Brydon, was advised by the board of the company's disapproval of his potential interest as a partner in a flax making concern. In response the board announced that they would happily offer a 'liberal rate of interest' on its officers' savings instead of risking their distraction into private lines of business.[278]

It appears that many settlers in both Australia and New Zealand at this time were keen to set up either as farmers or as businessmen on their own account and that many saw paid employment only as a way of saving capital to do this. Indeed many of the farm managers of both the C&O and NZALC companies later took the opportunity to purchase parts of the runs they had managed, to operate in their own name rather than make a career with the company. Probably the biggest agency dispute of all arose when a John Douglas was appointed in 1867 to act as a senior manager for all the farms in New Zealand with the usual restriction that he could not act for any other company or person or transact any business on his own account.[279] For this he was paid £2,000 a year with additional travelling and office expenses,[280] but when reminded of this obligation in April 1868 he attempted to dispute the obligation to the extent that the board were forced to ask him to come to Glasgow to discuss his contractual issues with

[277] NAS GD435/7 minute of meeting, 30th December 1867.
[278] Ibid., minute of meeting, 25th January 1870.
[279] Ibid., minute of meeting, 29th November 1867, 23rd April 1868.
[280] Ibid., minute of meeting, 31st January 1868.

them.[281] Douglas became increasingly alienated from the board and from Russell & Co., to the extent that Mr Hunter of Russell & Co. was communicating with the board without consulting Douglas first. Eventually Hunter was promoted to replace Douglas after he allegedly cashed in £8,000 worth of company credits for his own uses.[282]

Cost control became a matter of serious concern to the board and to Morton, particularly in the more experimental early years of the company. In his autobiography William Soltau Davidson would later write about what he perceived as extravagance in the early years of NZALC. He gave the example of one farm manager who went to visit a company agent, talked about non-business subjects and then only at the end of the conversation introduced his need for £1,000. He was then able to simply ask the agent to make it £2,000 instead.[283] This is likely to be only a story although the early minutes of the directors' meetings in Glasgow are littered with cases of overspending. This difficulty appears to have arisen because the company dived into 'improving' its lands and flocks without any real knowledge of which investments were likely to bring returns. As early as November 1866 £4,000 was spent ordering steam ploughs and 'various other articles and implements' to be sent to the colonies.[284] Part of the difficulty in this was that Australasia had as yet only minimal indigenous manufacturing industry. This meant that equipment such as steam ploughs had to be acquired by the Head Office from manufacturers in Scotland and then shipped to Australasia. In addition grass seeds,[285] pedigree sheep for breeding purposes,[286] thoroughbred horses,[287]

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[281] Ibid., minute of meeting, 31st January 1868 and 23rd April 1868.
[282] Ibid., minute of meeting, 4th July 1869.
[283] Davidson, *William Soltau Davidson, 1846 - 1924*, pp. 85-86.
[284] NAS GD435/6 minute of meeting, 23rd July 1866.
[285] For instance, grass seeds were dispatched to New Zealand in 1868, along with guano and nitrate of soda, with news of their safe arrival reaching Glasgow in early 1869. NAS GD435/7 minute of meeting, 23rd February 1869.
[286] For instance, in June 1872 the board granted a request by Thomas Brydone, then New Zealand Superintendant, to send some new Lincoln rams to improve the quality of the company's stock in New Zealand. GD435/7 minute of meeting, 13th June 1872.
[287] Davidson, *William Soltau Davidson, 1846 - 1924*, pp. 65-66.

and later even stoats and weasels to control the rabbit population were shipped to Australasia.[288] To some extent the natural resources available there were ignored by the NZALC which arguably attempted to transform its properties into a larger version of the Scottish environment.

At the end of 1867 it was reported that a deficiency of £37,000 was feared at the end of the financial year.[289] A committee had been appointed to examine management in New Zealand and it reported that expenditure on improving the freehold lands there should be restricted to £3,750 a month and that this should later be reduced further.[290] A month later Alexander F. Anderson was appointed to be inspector of colonial books and accounts and dispatched to New Zealand to carry out this role, although it appears he did not visit Australia.[291] By January 1868 arrangements were made for accounts to be sent back to Glasgow on a monthly basis, although problems continued with unauthorised land purchases and unauthorised spending on fencing of land. While fencing was useful for enforcing property rights and for stock control, it involved a large sunk expenditure, requiring many miles of wiring and numerous wooden posts. By the late 1860s expenditure was directed towards the improvements considered most necessary, which in particular involved the replacement of the indigenous vegetation with English grass seed, considered more beneficial for sheep grazing. In addition fertilizers such as guano and nitrate of soda were purchased and sent to New Zealand.[292]

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[288] Ibid., p. 48.
[289] GD435/7 minute of meeting,, 29th November 1867.
[290] Ibid.
[291] GD435/7 minute of meeting,, 30th December 1867. See also GD435/71 *New Zealand and Australia Land Company (Limited) Fourth Annual Report*, year ending 31st March 1870, in which William Anderson, the Auditor, states in his report that he was informed that A. F. Anderson did not visit Australia to inspect the accounts during his tour of duty. In the same report it was also stated that A. F. Anderson had caused confusion by sending home two different sets of accounts certified as correct but which contained differences, and that there were some discrepancies between valuations returned from the colonies and the company's balance sheets. For instance, at the Totara estate in Otago £419 17s 7d worth of seeds and £113 15s worth of material appeared in the valuation sheet returned to Edinburgh, but were not accounted for in the home or foreign balance sheets.
[292] Ibid., minute of meeting,, 23rd February 1869.

The results of the NZALC's land improvement programme are best described as mixed. In Southland in particular, the introduction of English grass on a large scale brought few results. In the later 1860s the company devoted vast resources to the giant run at Edendale where it held 124,666 acres of freehold, though this in itself had represented a waste of capital according to Davidson. The climate and terrain of this run posed vast problems – only 30,000 acres were suitable for grazing, the remainder being rocky and mountainous, and the local climate was particularly cold and wet. Attempts were made to plant the English grass in the better soil: of 33,000 acres planted with English grass, the species was able to maintain itself in only 17,000 acres, and within a few seasons the other 16,000 acres had returned to their native state. This meant that by 1878 as much as £219,000 had been spent on cultivation and English grass at this property alone, but with very disappointing results. With an additional £57,500 spent on buildings and fencing on the run, it was calculated that improvement had cost £8 2s per acre. This figure compared unfavourably with the C&O's Levels estate in Canterbury where a similar improvement had cost only £2 1s per acre over 28,703 acres of cultivated land, with the desired results - by 1878 the Levels could support 113,400 sheep.[293] A further waste of resources at Edendale was that because of the size of the estate many of the steam engines purchased in Scotland were allocated there for working ploughs and harrows. These proved too heavy for the boggy ground and ended up being kept in a warehouse for many years until they could be sold as engines for sawmills.[294] Infrastructure costs were also high with the construction of roads and bridges over deep creeks.[295] Davidson was later critical of the NZALC for pursuing these investments in what appeared to him to be a reckless manner, though the mistakes seem to have been part of a longer term learning process for the board and management. Certainly at the bottom line few of the company's New Zealand estates had seen an

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[293] Davidson, *William Soltau Davidson, 1846 - 1924*, p. 93.
[294] Ibid., p. 87.
[295] Ibid.

improvement in profitability by the late 1870s, particularly when the sums invested in cultivation were deducted from the gross profit attributed to each estate.

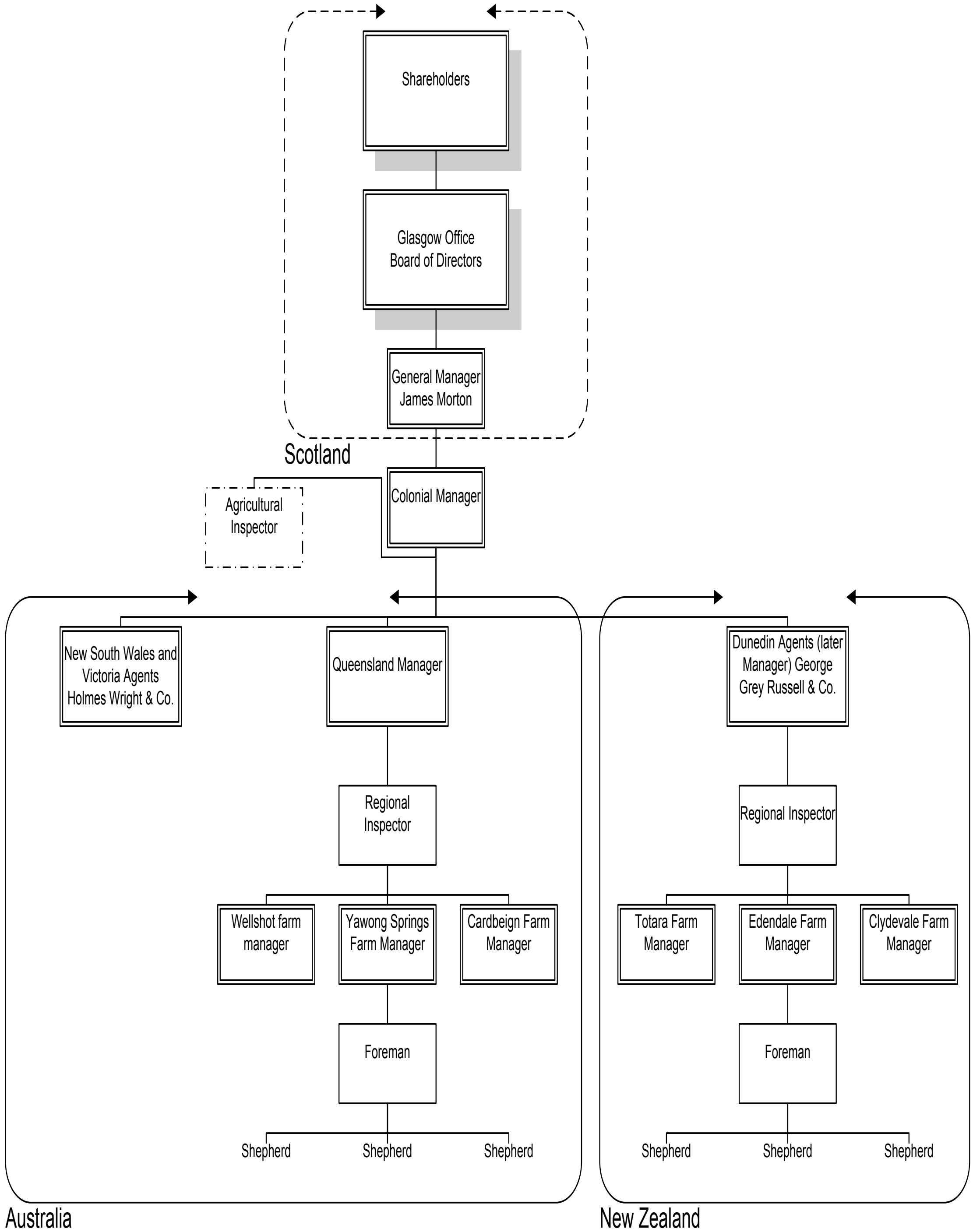
The NZALC enjoyed more success in improving its core product, sheep, in the longer run, with the heavy investment in Leicester and Lincoln rams which were exported to Australasia to cross-breed with the merino sheep brought out by earlier colonists.[296] The merinos were not so hardy when exposed to either the extreme heat of Queensland conditions or the damp conditions in New Zealand. The company also kept a few hundred cattle through the 1860s and 1870s, but would move into this area further in the 1880s by exporting Angus cattle to cross-breed with the breeds already in Australasia.[297] In this way animals were bred which required relatively little attention and were thus suited to the very large farm sizes compared to those back in Scotland.[298] Techniques from Scotland were also used in dealing with pests on the runs, although ironically these were often pests that had been imported by previous colonists, such as rabbits which created competition for grass.[299] Rabbits and weeds were a severe problem on many of the Southland and Otago runs, although the use of phosphorus to control them met with some success - at Kourow in Otago half a million rabbits were poisoned annually at a cost of £600.[300] The New Zealand government made some effort to help with this by importing stoats and weasels to maintain a balance between the numbers of different pests, and later (from 1888) the NZALC itself imported stoats and weasels on a wider scale after experiments with frozen pigeons as food for the animals

[296] Ibid., p. 23.
[297] Ibid., p. 29.
[298] Concrete numbers on farm sizes in Scotland are difficult to establish. Franklin suggests that a typical farm in Scotland in the pre-improvement era of the early eighteenth century might have run to 120 acres, clearly very small compared to the many thousands of acres being farmed in Australasia. The size may have increased with improvement and with the move to larger scale estate farming in the Highlands. T. Bedford Franklin, *A History of Scottish Farming* (Edinburgh: 1952), p. 119.
[299] Davidson, *William Soltau Davidson, 1846 - 1924*, p. 47.
[300] Ibid., p. 93.

on the voyage proved successful.[301] Eventually it was realised that rabbits could be turned into an asset as they could be shipped to the UK as a frozen food product along with exports of frozen lamb and beef.[302]

[301] Ibid., p. 49-51.
[302] Ibid., p. 61.

Figure 4.2 New Zealand and Australian Land Company Structure, c. 1866-1877



Source: This chart is based mainly on the minutes of meetings of the Board of the NZALC (which the General Manager also attended). These can be consulted in NAS GD435/6 and 7. In addition the autobiography of William Soltau Davidson was useful in filling in the gaps.[303]
Notes: Each farm had its own hierarchy of foremen and shepherds – for simplicity, this is not shown. Holmes, Wright & Co. were responsible for Yawong Springs, Bundure, and Humula stations, those falling within New South Wales and Victoria, though worked closely with the Queensland Manager. The position of Colonial Manager appears not to have been consistently filled, and is referred to in the late 1860s only – NAS GD435/6 meeting 17th July 1867 re the appointment of a Colonial Manager, and GD435/6 meeting 11th August 1868 when the Colonial Manager was told to reduce expenditure on stations. After this point regional managements would have corresponded directly with Glasgow.

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[303] Ibid.

4.6 Were these companies separate firms?

The C&O and NZALC shared many institutions before they merged formally together in 1877. The Head Office of both companies in Glasgow remained at the same address throughout the period between 1865 and 1877. Indeed, the joint head office of both companies occupied four different addresses during this period - firstly 16 Carlton Place, then 7 Carlton Place in 1867, followed by 180 West George Street in 1872 and finally moving to 204 West George Street in 1876.[304] This was not unusual for FSCs in this period, particularly as the size of Head Office required was usually fairly minimal and it was often not worth investing in a large corporately owned headquarters. Additionally, it was usually prudent to register the headquarters at the address of the legal practice or home managing agent responsible for the company. This practice of 'brass plate capitalism' would later become far more common in Scotland, particularly in Edinburgh where Sir George Warrender had as many as eight different companies registered at his address of 123 George Street through the late 1870s and 1880s, some of which will be mentioned in more detail in **Chapters 6** and **7**.[305] In London where there were many thousands of FSCs this practice was even more ubiquitous. It should be noted, of course, that this practice is not unique to the FSC world - many subsidiary companies that have separate registrations from their parent companies share a head office, for example, and in some cases sister companies which share head offices under the same ownership exist among companies operating in only one economy.[306]

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[304] NAS BT2/197 and BT2/229. All companies were legally obliged to provide the registrar at Companies House in Edinburgh with a Head Office address for correspondence, and to keep the registrar informed of any change of location. Of course, this did not have to be the company's main place of business.

[305] See NAS BT2/957, 1018 ,1039, 1102, 1117, 1129, 1261 and 1477.

[306] For instance, five of the UK successor companies of the Dalgety Group which purchased the NZALC in 1968 remain registered at Station Road, Andoversford, Cheltenham, Gloucestershire, GL54 4LZ. The companies are Dalgety Agriculture Limited, Dalgety Arable Limited, Dalgety Feed Limited, Dalgety Group Limited and Dalgety Supplements Limited, although most of these companies are dormant. *Companies House Website - Webcheck Service for Company Details*, (2007 [cited 24th October 2007]); available from

In the case of the C&O and NZALC the various premises in question belonged to James Morton, the general manager of both companies in Scotland. Morton was in effect a management contractor to both companies, and to earlier the London based New Zealand and Otago Company. He was not forced by his contracts from either company to concentrate on only one, as most of those working for either company in New Zealand or Australia were. Morton was expected to supply a complete managerial service to the companies; when his contract was renegotiated by the C&O in 1872 his annual remuneration was fixed at £1,250 but he was responsible for paying his own clerk's salaries and other office expenses, such as utility bills and accommodation costs, out of this amount.[307] Obviously, a further incentive for Morton was his 46% and 39% personal holdings in the C&O and NZALC respectively.[308] It was further agreed in the renegotiation that:

> It is known to the Committee that Mr Morton is the manager of the New Zealand and Australian Land Co Limited and is also engaged in other undertakings with the prosecution of which it is not intended that this appointment if accepted by him shall interfere.

Thus the directors of the C&O, some of whom were also directors of the NZALC, approved of Morton's dual role and, indeed, his private responsibilities away from either company. It should not be thought that this arrangement meant that either company should be considered to be less entrepreneurial or professional or indeed a more speculative enterprise by pursuing these arrangements. Instead, the reality was that managing either company from Glasgow was not yet a full time role, particularly before Australia was linked by telegraph in 1872.[309] This would make it possible for

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http://wck2.companieshouse.gov.uk/6857610a1ef2bf4aeafa4ac49b2fbb7e/wcframe?name=accessCompanyInfo.

[307] NAS GD435/2 minute of meeting,, 30th April 1872.

[308] NAS GD435/610/2, list of C&O, NZALC and new NZALC shareholders 1877.

[309] Briggs and Burke, *A Social History of the Media: From Gutenberg to the Internet*, pp. 134-135.

Glasgow management to have a greater role in the running of the company although even after 1872 relatively few telegrams were used. Morton's role could not be to supervise the day to day running of either company's runs in New Zealand or Australia as there remained a delay of two months in communication to either colony until telegraph links were established with Australia. Instead, his role as it evolved was much more strategic - his job essentially was to receive the monthly correspondence of the various managers and agents in New Zealand and Australia and make strategic recommendations to the two Boards based upon this information. Further, he sought approval from the board for his strategic responses to this information flow which he then relayed back to Australasia where it was the job of the regional and farm managers to put these actions into practice.

Morton's consultancy role in management, then, allowed both companies to gain some economy in management affairs as it meant they did not have to waste capital acquiring a base in Glasgow themselves. This capital could be more usefully employed in Australasia with returns at a time when property values in Glasgow were sharply increasing during a building boom in the late 1860s and through the 1870s until the City of Glasgow Bank collapse.[310] Similarly, one set of clerical staff under Morton carrying out any necessary administration for both companies led to savings overall for both companies. Expertise in this area could also be shared, given the obvious similarity in business interests between the two companies. The only difficulty that would appear to arise here was that the initial contract between Morton and the NZALC, referred to in the Articles of Association, set up a principal-agent problem. It fixed his remuneration at 1% per annum of the price of the properties purchased from any association.[311] Therefore Morton was presented with an incentive to purchase as many properties as

[310] A. K. Cairncross, "The Glasgow Building Industry (1870-1914)," *The Review of Economic Studies* Vol. 2, no. 1 (1934): p. 15.
[311] NAS BT2/229.

possible, using the company's funds to capture these rents for himself, and this incentive seems likely to have contributed to some of the more overpriced property purchases that the NZALC made.

Economies of scale were also possible in lobbying – in March 1871 Morton along with NZALC directors Stewart Buchannan and James Melvin met the New Zealand government minister and future Prime Minister Julius Vogel in London.[312] The purpose of this meeting was to discuss the building of a railway to connect Southland and Otago, which the New Zealand government developed in sections throughout the 1870s, with Christchurch, Dunedin and Invercargill being linked by 1879. This railway benefited both NZALC and C&O – the line passed through important estates of both companies including the C&O's Acton and Pareora, and the NZALC's Totara and Edendale, while the C&O's Levels estate received a branch line along its northern boundary.[313] No minute of this meeting is known to exist, but it appears that Morton, Buchannan and Melvin may have managed to influence the government's choice of route with a view to enhancing the value of the properties of both companies as well as improving distribution.

Another institution shared between the two companies was the post of inspector of the colonial books, whose £1,000 per annum salary was jointly paid by both companies (and initially was split three ways with the New Zealand and Otago Company).[314] Again this was a cost saving measure for the companies as it allowed for the same level of work to be done by the appointee, Mr A. J. Anderson, for both companies while each paid him only £500 per annum rather than £1,000. The C&O and NZALC also shared a

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[312] NAS GD435/7 minute of meeting,, 21st March 1871.
[313] NAS GD435/611. 'Key Map of South Island of New Zealand, showing properties belonging to The New Zealand and Australian Land Company Ltd., 1879'. This map clearly shows the railway cutting through the estates.
[314] NAS GD435/2 minute of meeting,, 28th February 1868.

chairman, Robert Stewart, a merchant from Glasgow who continued to hold the position after the 1877 merger, until his death in 1909.

Similarly, savings were achieved for most of the period through sharing the Dunedin based agency company of George Russell & Co., later Russell Ritchie & Co., although the NZALC moved towards employing its own management structure to oversee the day to day operation of its farms in New Zealand. However, Russell Ritchie & Co. continued to represent the NZALC in many outside dealings such as those with the government or in organizing land sales. Again there was a saving in not investing in a Dunedin office which would have used much needed capital and resources, and even when a Dunedin office was eventually set up after the merger its staff was kept small.[315] In many of these dealings Russell Ritchie & Co.'s freedom of action was restricted and they had to refer back to the board of the company that they were acting for before taking any major decisions. In this they appear to have been more conservative than some of the managers employed by the two companies, particularly the NZALC where cost overrun problems caused by mismanagement in New Zealand developed in the late 1860s.

There was a further linkage with an additional company to cater for both the C&O and NZALC. This was the New Zealand Meat Preserving Co Ltd which became a rare manufacturing Scottish FSC in 1872, registered in Glasgow, after an initial period as a New Zealand registered company.[316] This company was established by James Wotherspoon in 1868 to preserve meat and also to boil down carcasses to produce extracts.[317] It is unclear how much of a Chapman/Wilkins style cluster with the C&O and NZALC this company represented, as it is not known if any links existed in terms

[315] Davidson, *William Soltau Davidson, 1846 - 1924*, p. 108.
[316] NAS BT2/512, New Zealand Meat Preserving Co Ltd, registration file.
[317] NAS GD435/7 minute of meeting,, 28th July 1868.

of shareholding, directorships or management. The New Zealand Meat Preserving Co Ltd. came into being to fulfil a very precise need: finding a market for the surpluses in production being generated by both companies. It was possible to ship wool back to London, but the level of meat being produced was usually in excess of demand in Australasia. The logistics of controlling, feeding and watering large animals on board ship on an 80-90 day voyage that crossed the equator made it almost impossible to ship live sheep or cattle back to the UK for sale in a healthy condition.[318] William Soltau Davidson even claimed that the C&O went as far as keeping sheep alive for the wool as long as possible before herding them off cliffs as a waste product.[319] This led to the association with the New Zealand Meat Preserving Co. with which contracts were made by the C&O in 1869 to sell sheep at an agreed rate of between 2d and 2½d.[320] The NZALC also made an ongoing contract with the New Zealand Meat Preserving Co. in 1869. This appears not to have been consistently remunerative as the Glasgow board could not agree whether to renew the contract in the Southern hemisphere in autumn 1874.[321] This procrastination also highlighted one of the disadvantages of the slow communication with New Zealand in particular at this time. Few figures survive on these transactions but Soltau Davidson maintains that this activity was unprofitable and forced him to move the post-merger New Zealand and Australian Land Co. into the downstream vertical integration which will be discussed in more detail below.

In July 1876 it was first proposed to merge the C&O and NZALC into a single company, and a joint committee was appointed for the purpose of investigating the synergies to be gained. It has been suggested that this merger was the brainchild of

[318] Indeed, it was very difficult to ship them to Australasia too – the importation of horses was extremely difficult, for example, as the horses would often become distressed on the voyage, be injured and have to be thrown overboard. Davidson, *William Soltau Davidson, 1846 - 1924*, p. 66.
[319] Ibid., p. 33.
[320] NAS GD435/2 minute of meeting, 15th June 1869.
[321] NAS GD345/7 minute of meeting, 14th April 1874.

James Morton who wished to combine the (more profitable per acre) C&O with the NZALC.[322] Certainly the NZALC held in the main vastly less attractive land - by 1877 its Queensland leaseholds were valued at just 11d per acre; those in New Zealand were valued at 3s 1d per acre compared to 5s 7d for the C&O.[323] On the other hand, the NZALC continued to hold 198,070 acres of freehold in New Zealand valued at £5 3s 9d per acre which compared favourably with the C&O's 103,349 acres valued at £4 17s 0d per acre.[324] **Table 4.1** below summarizes the land holdings of both company prior to merger.

Table 4.1 New Zealand and Australian Land Company and Canterbury and Otago Association Land Holdings, 1877

	Freehold			**Leasehold**		
Region	**Acres**	**Cost and Fencing (£) (a)**	**Cost per acre (£) (b)**	**Acres**	**Cost and Fencing (£) (a)**	**Cost per acre (£) (b)**
Victoria and NSW	31,431	42,038	1.34	582,000	169,625	0.29
Queensland	347	400	1.16	1,756,453	78,194	0.04
New Zealand (NZALC)	198,070	1,027,695	5.19	162,537	25,012	0.15
NZALC Total	229,848	1,070,134	4.66	2,500,990	272,832	0.11
Canterbury & Otago Assoc. (c)	103,349	501,376	4.85	348,912	98,579	0.28

Source: NAS GD435/2 minute of meeting 08th January 1877. Reproduced from report to the NZALC and C&O boards into the feasibility of the merger, produced by a joint committee of the boards of both companies.
Notes:
a) These figures were derived from the original cost of acquiring the land plus the cost of improvements carried out such as sowing English grass, creating access to water for livestock and adding fencing.
b) Decimalized for clarity.
c) All holdings were in New Zealand.

As noted above, some of the NZALC lands such as Edendale had also absorbed large sums in improvements with not entirely satisfactory results. Meanwhile some land remained fallow, giving no return on investment at all. Both companies were

[322] Brooking, "'Tam McCanny and Kitty Clydeside' - the Scots in New Zealand," p. 169.
[323] NAS GD435/2 minute of meeting, 8th January 1877.
[324] Ibid.

additionally suffering from the loss of their leasehold land rights. This was a particular problem for the NZALC in Australia where it was reported that the Chinchilla run in Queensland had been almost totally lost.[325] Nonetheless the accounts of the NZALC would suggest that, although the company was not as profitable per acre or as productive as the C&O, it was essentially a profitable business despite the high level of debt against it. The committee investigating the amalgamation stated that both companies were attaining returns on capital employed of around 6% and, as **Tables 4.2** and **4.3** below show, both companies were reporting profits before the merger.[326] The committee suggested that a merger would also yield synergies between the two companies in terms of undivided management in New Zealand which could end conflicting interests, although there is no evidence for the committee's claim that the two companies were simply engaged in buying and selling land to each other. Perhaps for the Glasgow interests the opportunity to introduce preference shares which the committee also mentioned was the most powerful incentive to merge these two companies.

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[325] Ibid.
[326] Ibid.

Table 4.2 New Zealand and Australian Land Company Operating Profit Summary 1873-6

Year	£'000s 1873	£'000s 1874	£'000s 1875	£'000s 1876	£'000s 4 year avg	% of turn-over
Returns from Wool	104	102	100	90	99	65.2%
Returns from Sheep(a)	32	56	31	29	37	24.5%
Returns from Cattle	7	11	10	15	11	7.2%
Returns from Horses and Sundries	3	8	3	6	5	3.2%
Gross Colonial Returns	146	176	143	141	152	100.0%
Less Colonial working expenses and Depreciation of Implements	46	50	52	61	52	34.4%
Net colonial Profit (b)	100	126	91	80	99	65.6%
Interest	17	19	22	24	20	13.4%
Home Charges (c)	4	4	4	4	4	2.6%
Total Interest and Home Charges	20	23	26	28	24	16.0%
Net Divisible Profit	80	103	65	52	75	49.6%

Source: NAS GD435/2 minute of meeting 8th January 1877. Reproduced from report to the NZALC and C&O boards, into the feasibility of the proposed merger produced by a joint committee drawn from the boards of both companies.
a) Probably returns from sales of live sheep for slaughter or as carcasses for meat and tallow production.
b) Profit earned in the colonies before being returned to the UK.
c) Charges deducted for administration etc. in Glasgow by James Morton & Co.

Tables 4.2 above and **4.3** below give short summaries of the financial results that both companies reported in the mid-1870s. The dependence of both companies on revenue from wool is clear, while returns from the few cattle kept remained low, with only a local outlet for milk and beef. Maintaining a head office in Scotland, meanwhile, did not represent a substantial drain on the finances of either company, with James Morton & Co. administering both firms at a combined cost of around £7,000 a year.

Table 4.3 Canterbury and Otago Association Operating Profit Summary 1873-6

Year	£'000s 1873	£'000s 1874	£'000s 1875	£'000s 1876	£'000s 4 year avg	% of turn-over
Returns from Wool	69	77	69	54	67	75.6%
Returns from Sheep (a)	20	20	15	22	19	21.6%
Returns from Cattle (b)	1	0	0	0	0	0.4%
Returns from Horses and Sundries	3	2	2	1	2	2.3%
Gross Colonial Returns	93	100	86	77	89	100.0%
Working Expenses and Depreciation of Buildings, fences and Implements	28	31	31	31	30	34.2%
Written off Right of Tenure	5	10	3	2	5	5.6%
Exceptional Colonial Charges	1	1	1	1	1	0.9%
Less Colonial working expenses and Depreciation of Implements	34	42	35	34	36	40.7%
Net colonial Profit (c)	59	58	51	43	53	59.3%
Interest	16	16	17	16	16	18.4%
Home Charges	3	4	3	3	3	3.3%
Total Interest and Home Charges (d)	19	20	20	19	19	21.8%
Net Divisible Profit	40	38	31	25	33	37.5%

Source: NAS GD435/2 minute of meeting 8th January 1877. Reproduced from report to the NZALC and C&O boards into the feasibility of the merger, produced by a joint committee of the boards of both companies. Some mathematical errors apparent in the original have been corrected.
a) Probably returns from sales of live sheep for slaughter or as carcasses for meat and tallow production.
b) Less than £500 in the years 1874-6.
c) Profit earned in the colonies before being returned to the UK.
d) Charges deducted for administration etc. in Glasgow by James Morton & Co.

The merged New Zealand and Australian Land Company Ltd. initially had the largest paid capital at £2,500,000 of any Scottish FSC in this period, and this was also larger than the English Rio Tinto Company, at £2,250,000 probably the largest English FSC at this time.[327] This was not a realistic value for the new NZALC, being based on a combination of the capital of the C&O and old NZALC plus 25% to allow for the possible proceeds of subdivision of lands and it had to be reduced throughout the 1880s to reflect the real value of the company. The year 1879 marked a big change in management as James Morton resigned his position as General Manager of the merged company. This was claimed to be due to his involvement in the City of Glasgow Bank

[327] Rio Tinto is the largest English FSC whose paid capital is clearly recorded; Harvey, *The Rio Tinto Company; an Economic History of a Leading International Mining Concern, 1873 - 1954*, p. 29., indicates that it had a paid capital of £2,250,000 which was larger than 32 other recently promoted mining companies which had a combined capital of £2,738,000. Davidson admits in his memoirs that £2.5m was probably an unrealistic figure as it combined the paid capital of the NZALC and C&O as well as an £815,875 increase based on the increasing value of the company – not surprisingly, this was written down by £250,000 in 1880. Davidson, *William Soltau Davidson, 1846 - 1924*, pp. 95-97.

collapse, following his vast personal borrowing from the bank while using his NZALC stock as security, although **Chapter 5** examines these events in more detail. This had been allowed to continue to the level at which the liquidators of the bank discovered that a large proportion of the bank's value depended upon the assets of the NZALC; hence the former shareholders of the bank became shareholders in the merged NZALC after 1879.[328] This collapse did not directly affect the financial position of the NZALC but it did bring a lot of scrutiny upon the company, particularly in those quarters where investments in overseas companies and assets were already regarded with suspicion - letters to newspapers alleged that the NZALC's assets in Australasia existed only on paper.[329]

William Soltau Davidson was promoted to replace James Morton in January 1879 as General Manager of the merged company, moving back to Glasgow from New Zealand. His career path had been entirely with the C&O, and he notes in his autobiography that he felt the merger had been dominated by the NZALC to the disadvantage of shareholders interested only in the C&O, such as himself.[330] Davidson's tenure saw the role of General Manager become fully internalised to the company, dispensing with the agency problems existing under Morton; it also appears that Davidson had no other external commitments. The Davidson era is examined in more detail in **Chapter 5**; it appears that he completed the development of the NZALC into a modern corporation with the full internalisation of the agency functions in New Zealand and in Australia. Gradually he invested in the three Chandlerian prongs of production, management and distribution.[331] Efforts to improve the quality of stock and the runs themselves

[328] Davidson, *William Soltau Davidson, 1846 - 1924*, p. 109.
[329] Ibid.
[330] Ibid., p. 102. Although self interested, Davidson estimated that the NZALC was in reality worth £400,000 below its book value and that the C&O was worth £273,000 more than its book value.
[331] See Alfred D. Chandler, *Scale and Scope: The Dynamics of Industrial Capitalism* (Cambridge, MA: 1990), pp. 21-34.

continued with the decision to reduce the less remunerative holdings in New Zealand, particularly in Southland, and to concentrate more fully on Queensland and New South Wales. Management structures were formalised, based upon those that already existed, while Davidson himself frequently travelled to Australia and New Zealand to oversee operations despite the long sea voyages required.

Distribution was radically improved under Davidson; previously both companies had relied upon sales of wool in London and of meat and dairy products in New Zealand. Davidson was able to take advantage of the new technology of refrigeration to freeze sheep carcasses in New Zealand, erecting plants to do this before shipping the frozen carcasses to London where salesmen based at the Smithfield meat market would oversee distribution to butchers in the London area.[332] The economies of scale required by a company that had been keeping many hundreds of thousands of sheep were realised in this venture: 4,460 sheep carcasses and 449 lamb carcasses were sent in the first shipment in 1881, by 1900 50,000 carcasses annually were shipped, and by 1916 the trade had grown to 150,000 carcasses.[333]

Economies of scope were also discovered in refrigeration – later Davidson also oversaw the extension of the NZALC into the dairy industry with downstream integration into the construction of dairies and creameries. To do this Davidson visited Ingersoll's dairy factory in Canada and imported the technology to New Zealand, and a butter making expert from Denmark was also recruited. The factory was constructed on the Edendale estate, and the NZALC continued to manufacture there even after the estate itself was sold to smaller farmers. Even rabbits were turned from pests into a revenue stream as their carcasses could also be frozen and shipped back to the UK. The Edendale name

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[332] See Brooking, "'Tam McCanny and Kitty Clydeside' - the Scots in New Zealand," p. 169., and Davidson, *William Soltau Davidson, 1846 - 1924*, pp. 31-45.
[333] Davidson, *William Soltau Davidson, 1846 - 1924*, p. 43.

was used as a brand to market the products through the rather atomistic food retailing industry existing in Britain at this time, although it was not felt necessary to integrate further downstream into retailing as other companies such as Lever did. Davidson did, however, become a founder director of Nelson Brothers Ltd., which operated cold stores in London that could store 200,000 carcasses at a time.[334] This did not represent an outside interest for Davidson – his director's fee was paid to the NZALC.[335]

Through this further development of the NZALC into a vertically integrated company, Davidson was able to draw on the earlier work of Morton and the farm managers of the two earlier companies to move the merged company forward to become what he claimed was the largest pastoral company in the world by the First World War.[336] Technology was a partial solution to the problems of both companies on the fresh produce side, particularly those of the NZALC. Davidson's bringing the two companies together helped to realise economies of scale that had not been possible previously – despite the close links between the NZALC and the C&O prior to the merger it can be argued that they were distinct companies. There is less evidence about the C&O but the surviving material suggests that this company succeeded in becoming more tightly managed in New Zealand and more profitable because it was more sharply focused on one group of farms which were located close to each other.

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[334] Ibid., p. 44.
[335] NAS GD435/11 minute of meeting, 14th September 1886.
[336] The NZALC was already the world's largest 'Land and Investment Company' by 1882, when the Hudson's Bay Company was the next biggest company listed in that category by the first edition of *Burdett's Official Intelligence*, with a paid and nominal capital of £1.7m. In terms of paid capital, it is difficult to find other comparators. The NZALC is certainly the largest company dealt with in this thesis, but Hannah's classic study of company sizes in 1912 and 1995 concentrates only on mining and industrial sectors – see: Leslie Hannah, "Marshall's "Trees" And the Global "Forest": Were "Giant Redwoods" Different?," in *Learning by Doing in Markets, Firms and Countries*, ed. Naomi R. Lamoreaux, Daniel M. G. Raff, and Peter Temin (Chicago: 1999). Scott and Hughes somewhat inaccurately list the NZALC as the largest Investment and Property Company in Scotland in terms of paid capital in 1904-5 in M. Hughes and J. Scott, *The Anatomy of Scottish Capital: Scottish Companies and Scottish Capital, 1900-1979* (London: 1980), p. 64. NZALC certainly remained larger than any of the ranching companies referred to in **Chapter 7**.

This company was also better at concentrating on its core business of sheep farming without wasteful attempts to move into arable farming or to cultivate infertile land. Therefore those managers who worked only for the C&O seem to have been more successful within it, and James Morton himself (and the chairman and other interlocking directors) appeared to have a far more conservative approach when dealing with this company than with the NZALC. By contrast the NZALC was highly expansionist and established a cost control system only when it became clear that spending was running out of hand. It was also prevented from operating as freely as it might have done by its obligations to its vendor associations which the C&O did not have. This was particularly constraining when the company sought to sell off unproductive land, for example. Thus while the same group of individuals dominated both companies on the Scottish side, on the colonial side these they represented distinct businesses governed with separate managerial approaches from the same management. Arguably this demonstrated the effectiveness of limited liability combined with the free-standing form in containing risk.

4.7 Conclusion: To what extent were these two companies managed from Scotland?

So far this chapter has demonstrated that both the Canterbury and Otago Association and the New Zealand and Australian Land Company were reasonably successful within their aims of operating as pastoral farmers in Australia and New Zealand. Although the management of the two companies was related, they represented two separate organisations. Both companies were more successful in terms of longevity and value created than the better known US hosted ranching FSCs of the 1880s which did not deal with the development of management structures nor invest in production. This final section will examine the role of Scottish management in these companies and whether this of itself was important.

Writers on the history both of Scottish emigration to Australia and New Zealand and on the pastoral history of the region acknowledge that these colonies were in their formative periods as economies and therefore were in need of external capital.[337] Inputs such as management experience and actual farming knowledge were also in short supply. Most early settlement by pioneer 'squatters', particularly in Australia, where Davidson would later concentrate the NZALC's mass grazing activities, was purely speculative with sheep being herded to where they would best survive. Most settlers were self supporting subsistence farmers, but corporate farming worked better, particularly in Australia, as the wide open plains would support scale economies. These were to be gained from having larger herds than were possible in Europe while allowing a relatively low density of only around two sheep an acre. Buying this land was not a huge difficulty (the governments were willing to sell, at least on leasehold), but there were problems with the low quality of the livestock in the colonies as well as the lack of irrigation and the unsuitable terrain in some parts of certain runs. Both the NZALC and C&O were useful in bringing investment into the colonies – in this case to the value of nearly £2million. In some cases this investment would have a lasting role in promoting long run agricultural and economic development outside of the company where improved land was sold on to small farmers. These two companies also helped to establish larger industries in food products that gave these emerging economies their staple export products. But it was not essential for the colonies that this money came from Scotland; it could have been raised in London or elsewhere in the UK, or for that matter in any other capital market globally.

[337] Brooking, "'Tam McCanny and Kitty Clydeside' - the Scots in New Zealand," p. 165, Hanham, "New Zealand Promoters and British Investors, 1860-1895," p. 56, Richards, "Australia and the Scottish Connection, 1788-1914," pp. 142-149.

It was also important for the investors in these companies back in Scotland that they chose to send their funds to Australasia. Australasian agriculture offered a more sustainable use for funds than mining in Europe or the Americas, for example. This appears to have occurred partly because some knowledge transfer occurred from Scottish farming to Australasia. This is not usually associated with the FSC model - Wilkins has tended to argue that FSCs generally do not transfer knowledge because with a minimal Head Office it is difficult for them to develop the institutional capabilities to do this.[338] In this scenario Wilkins tends to assume that the employees of an FSC will operate within the institutional framework of the host country, with a heavy reliance on intermediaries and outside contractors - in the case of the NZALC and C&O, operations were being conducted in the framework of the home country. This came about because the workforce and colonial management of both companies tended to be Scottish born themselves, and in the case of the NZALC the emigration of workers to these farms had been sponsored by the owners of some of the predecessor associations to the company. A B Buchanan, owner of the Chinchilla run in Queensland, imported shepherds from the Highlands of Scotland to tend his flocks in 1863 – these shepherds are unlikely to have spoken much English and even brought their own collie sheepdogs with them, for instance.[339] Both companies were also helped by the Scottish background of many immigrants to the South Island of New Zealand, with Otago province having originally been formed as a Free Church of Scotland colony.[340] It is estimated that as many as a third of the population in some parts of Australia were of Scots origin in this period. While neither C&O nor the NZALC caused these institutional phenomena, they did take advantage of them.

[338] Wilkins, "The Free-Standing Company, 1870 - 1914: An Important Type of British Foreign Direct Investment," p. 277.
[339] Prentis, *The Scots in Australia: A Study of New South Wales, Victoria and Queensland, 1788-1900*, p. 102.
[340] Brooking, "'Tam McCanny and Kitty Clydeside' - the Scots in New Zealand," p. 159.

Later both companies attempted to operate with the familiar rather than the unfamiliar. The NZALC's attempts to import farm machinery and the improvement of land through the importation of grass and new pests to try to control naturally the levels of pests existing were all attempts to use Scottish knowledge to solve problems in farming in the colonies. Further, in the Scottish Highlands sheep farming had moved beyond the small scale hill farming common in England. From the mid 18th century large estates abandoned their tradition of leasing to small subsistence farmers and increasingly operated by leasing their land to farmers in large sheep runs.[341] By the early 1800s some runs in the far north were measuring 100,000 acres and already creating a mass trade in wool and mutton.[342] It does not seem unlikely, then, that the directors of the NZALC took some inspiration for the direction of this farming from the new direction followed by Highland landowners in this period, and the transfer of labour from the Highlands also allowed both companies to profit from experienced labour. Additionally, the NZALC director James Melvin gave his profession as farmer, and frequently reported to the board about agricultural and managerial matters.[343]

We have seen therefore that the C&O and NZALC were intensively managed companies from the start rather than hands off speculation or investment clubs, and that the decision making process followed a chain of command stretching up to the Glasgow Head Office of both companies. It is not necessarily the case that the style of management was always in the best interests of either company; sub optimal decisions were often made. The NZALC was a particular victim of this in addition to having purchased many of its lands from more speculative investment based groups, but over a

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[341] Franklin, *A History of Scottish Farming*, p. 165.

[342] J. A. Symon, *Scottish Farming Past and Present* (London: 1959), p. 276.

[343] NAS GD632/610/2 – 'New Zealand and Australian Land Company Limited, Distribution of Stock amongst the Proprietors at Date of Formation.' Melvin visited the colonies himself to oversee the valuation of the lands at the time of formation of the NZALC (GD435/6, minute 23rd June 1866). Among other activities he prepared a report on the organisation of the company in July 1867, oversaw an analysis of the soils on the Totara estate in 1868 and suggested improvements to the fencing of the Bundure property in New South Wales in the same year – GD 435/7, minutes passim.

twenty year period the company was able to correct these problems through the imposition of a strong Scottish based management style which could take advantage of the large population of Scottish migrant labour available in both colonies. The Glasgow Head Office within both companies had a central role in transferring not just control but knowledge, personnel and resources to the host countries. This is what made the C&O and NZALC successful organisations and examples of the Free-Standing form.

Chapter 5 - Managing a Free-Standing Company in the long term: The New Zealand and Australian Land Company 1877-1914

This Chapter will examine the management structure put in place by the New Zealand and Australian Land Company after 1877 as it became an increasingly sophisticated enterprise and continued to internalise information to develop itself as a trading system.

5.1 The NZALC as a Case Study

This chapter of the thesis continues with the case of Australasia after the merger of the original New Zealand and Australian Land Company (NZALC) with the Canterbury and Otago Association (C&O). This chapter will examine the long term consequences of this merger and the much larger firm thus created, which started with a nominal capital of some £2.5 million.[344] From the start, this made the new NZALC the largest single Scottish FSC in terms of paid capital, and one of the larger based in the UK. The merged firm found itself in charge of a miscellany of farmed estates in Australasia – thirteen on New Zealand's South Island and eight in the Australian states of Queensland and New South Wales. In total this new company had rights, whether freehold or leasehold, to around 3 million acres of land and in 1878 the company's estates carried a total of 576,521 sheep and 4,197 cattle, in addition to an unspecified amount of arable crops.[345]

This collection of concerns was still managed by James Morton & Co. from Glasgow in 1877, although the company would soon be forced to leave behind its managerial arrangement with Morton because of his involvement with the City of Glasgow Bank collapse. This would be the first of many challenges that the NZALC would face before

[344] The registration figures for the post merger NZALC which should be in NAS file BT2/789 are missing; this figure comes from the merged NZALC's first board meeting on 2nd November 1877 – see NAS GD435/11 p.2.
[345] Davidson, *William Soltau Davidson, 1846 - 1924*, pp. 138 - 140.

the First World War, of which most the company successfully overcame to reinforce its dominant position in pastoral farming in Australasia. Competitive pressure in this period was coming increasingly not from other pastoral companies but from smaller, more flexible independent farmers who were favoured both in New Zealand and the in Australian states by government policies which often advocated the breaking up of large estates to replace them with smallholders. In time the NZALC was able to turn this change to its advantage, particularly in New Zealand where the company would gradually dispose of its holdings to smaller farmers at a profit.

The NZALC almost completely left the farming industry in New Zealand by 1910 to concentrate on Australia where land was not such a precious commodity and economies of scale in livestock farming were greater. Further, the NZALC had to rise to the challenge of finding a market for the company's produce, now that Australasia had established that its terrain and climate were well suited to livestock farming. Both the NZALC and the C&O had been reliant on sales of wool back in the UK market, but in the early 1880s the merged company would successfully pioneer the export of frozen meat from New Zealand to the UK, thus allowing it to use its resources to full advantage. In the longer run, however, this would arguably end up benefiting the smaller farmers more, as purpose built independent freezing works, some of them sponsored by government or farmers' co-operatives, gradually displaced the NZALC's initial venture which was on a relatively small scale. Meanwhile, the strategies of managerial hierarchy started under the original NZALC and the C&O were continued and reinforced, with management remaining strongly in Scottish control despite the colonies' increasing political independence (which appears to have had curiously little effect on the company). The NZALC would evolve then, reacting to the constraints of the market outside the company and the regulatory environment in general through this period, briefly flirting with becoming a vertically integrated food company but choosing not to follow this route in the longer term. Instead the company would choose to concentrate on managing its most important commodity, not mutton, beef, milk, butter or wool, but land in the longer run – this would deliver the highest returns, and this was perhaps best suited to the FSC format of the company.

This chapter will go on to examine how the NZALC's structure and strategy developed to rise to these challenges and will examine the role of the personalities involved in overcoming these problems. Of particular interest here is the role of the NZALC General Manager, William Soltau Davidson, who was General Manager based mainly in Scotland from 1878 until his retirement in 1915.[346] Davidson is widely credited as being the entrepreneurial force behind the company in this period and is best known in New Zealand for pioneering the export of frozen meat and refrigerated dairy products and thus helping the country to find a national competitive advantage.[347] The original shipment of frozen mutton from Port Chalmers near Dunedin to London on the *SS Dunedin* in 1882 has almost passed into national legend in New Zealand. Today the farmstead and former slaughterhouse of the Totara estate from which the first shipment was taken belong to the New Zealand Historic Places Trust and operate as a tourist attraction – such is the perceived importance of this export to New Zealand's economy.[348]

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[346] Ibid.

[347] A wide variety of authors looking at the subject from different approaches have praised Davidson's contribution. Among many others see Belich, *Paradise Reforged: A History of the New Zealanders from the 1880s to the Year 2000*, pp. 56 - 57, 64, Brooking, "'Tam McCanny and Kitty Clydeside' - the Scots in New Zealand," pp. 168 - 169, James Troubridge Critchell and Joseph Raymond, *A History of the Frozen Meat Trade* (London: 1912), pp. 39 - 44, Mervyn Palmer, *Davidson, William Soltau (1846 - 1924), Dictionary of New Zealand Biography* (2007 [cited 15th March 2009]); available from http://www.dznb.govt.nz/, Williscroft, ed., *A Lasting Legacy - William Davidson 125*, pp. 7- 35.

[348] Williscroft, ed., *A Lasting Legacy - William Davidson 125*, pp. 24-35.

While it is undoubtedly the case that the pastoral produce industry has been of great importance to the development of New Zealand's economy, the fact that the NZALC itself did not stay directly involved in the refrigeration part of the industry beyond the late 1880s suggests that there may be a more complex story here than that told by New Zealand based historians. Additionally, Davidson and his New Zealand superintendent Thomas Brydone were operating with the resources behind them of a large company which had been established for some years, and were merely adopting the technology already tried by meat shippers in Argentina and Australia to New Zealand's circumstances.[349] Indeed, the NZALC on the Australian side remained removed from direct entry into the frozen meat and produce industry for reasons that are not entirely clear – but may include the fact that the early entrepreneurs who entered the frozen meat industry there were relatively unsuccessful. Therefore this chapter will seek to re-assess the contribution of Davidson and the frozen meat trade to the NZALC more generally – evaluating how far Davidson as a personality was essential to the continued survival of the company, and how far the frozen meat trade was also crucial in this context. More generally, just as the New Zealand and Australian economies were becoming more narrowly reliant on the UK's because of these exports, it will evaluate how far the Scottish based element of the NZALC continued to affect its development and fortunes.

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[349] See Critchell and Raymond, *A History of the Frozen Meat Trade*, pp. 18-45.

5.2 The Impact of the Failure of the City of Glasgow Bank

Before externalities in New Zealand could play any role in the fortunes of the merged NZALC, the stoppage and subsequent liquidation of the City of Glasgow Bank interfered in late 1878. After having organised the merger of the old NZALC with the C&O, apparently to use the C&O's comparative advantages to reinforce the NZALC's position, James Morton seemed to be in a secure and commanding position. He and his merchant house, James Morton & Co., had inherited the management of the joint company which continued to be headquartered at his Glasgow offices in West George Street. Morton also dominated the new company in terms of shareholding, effectively having control of 50.25% of the shares via an assortment of joint holdings with other directors and trust holdings.[350]

The merger was completed in November 1877, but Morton resigned the office of General Manager in January 1878 for reasons which remain unclear, although he continued as interim manager until a replacement could be found.[351] At least publicly, his resignation was not caused by the collapse of the bank. There was no public knowledge of difficulties at the City of Glasgow Bank at this point – rumours started to emerge only in the early autumn of 1878.[352] Morton's successor, William Soltau Davidson, wrote in his autobiography that he had been offered the position following Morton's resignation in disgrace over the bank failure, although there is no clear evidence that this was actually the case.[353] Nonetheless, it seems likely that Morton may have known something was about to happen with the bank – his firm was in debt to

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[350] Unfortunately before 1911 none of the share registers for the merged NZALC submitted to Companies House survive. However a listing for both the old NZALC and C&O, and the new company can be found at NAS GD435/610/2.
[351] NAS GD435/11, minute of meeting, 15th January 1878.
[352] A. W. Kerr, *History of Banking in Scotland* (London: 1926), p. 254.
[353] Davidson, *William Soltau Davidson, 1846 - 1924*, p. 109.

it to the tune of £2,173,000, or about one sixth of its total liabilities, which amounted to over £12 million.[354] Most of this loan was placed by Morton into estates in Australia and New Zealand – most notably in Queensland - which were bought on his own account and never integrated into the NZALC or the C&O, and an undetectable amount appears to have been lent to the NZALC by Morton. He used his stock in the NZALC as security against his borrowing from the bank, which meant that after the collapse the value of the remaining assets was very closely tied to that of the NZALC, placing the company under immense suspicion in the press.

When the City of Glasgow Bank actually closed its doors on October 1st 1878 Morton was forced to resign as interim manager as his firm collapsed with the bank (Davidson had in fact already been chosen as his replacement). Directors Lewis Potter and John Stewart, who had interlocking directorships with the City of Glasgow Bank, were also forced to resign as they were arrested, tried and subsequently imprisoned for their role in the bank's failure. This put pressure upon the remaining board members to find suitable and suitably reputable replacements, particularly as the NZALC's public reputation was now somewhat damaged. The Free-Standing nature of the NZALC did not help in this regard – there was much public anger in Glasgow following the bank's collapse as its shareholders and depositors had also been concentrated there. Following Morton's exposure of the firm's securities, large blocks of preference and ordinary stocks in the NZALC were at the bank liquidator's disposal, although the sale of large blocks of shares in such a discredited company would be difficult to achieve at a reasonable value. This made repayment out of these holdings unlikely for the depositors (but it was achieved by making a call of £2,750 per share on each £100

[354] Checkland, *Scottish Banking: A History, 1695-1973*, p. 471.

share)[355] and the geographical location of the NZALC's assets, out of sight in Australasia, made critics wonder whether the company actually owned these estates at all.[356]

The closure of the bank caused other more immediate difficulties. Merchant houses selling produce on behalf of the NZALC ran into difficulty. This included the loss of £4,000 worth of income from the wheat crop when Messers Matthew and Theilmann, selling on a prompt of three months, found themselves unable to pay the proceeds on to the NZALC as the money was stuck in the bank.[357] Around £70,000 worth of bills that were in the possession of the bank at the time of the failure were also lost, and the NZALC was forced to seek a temporary loan from the Bank of Scotland and the Union Bank of Scotland to cover its dividend payments.[358] The company also found itself in a legal dispute with the liquidators of the bank over an apparent attempt to swap a mortgage on some estates in Queensland for NZALC stock, which had left the bank liquidators in possession of the runs – the ownership of these reverted to the NZALC by agreement in early 1879.[359] The bankruptcy of Morton's firm also meant that the company could no longer use his premises as its registered Head Office, and efforts were made very quickly to find new premises. Indeed, from this point onwards the company internalised its Head Office function entirely, having a staff of clerks who were on the company's books answer to Davidson and the company secretary rather than using a contractor to do this. The Head Office was also moved to Edinburgh for reasons which are unclear, but which may have been intended to distance the company as far as possible from the City of Glasgow Bank failure.

355 Moss, *Potter, Lewis, 1807-1881. Oxford Dictionary of National Biography Online Edition* ([cited 15th November 2007]).
356 Davidson, *William Soltau Davidson, 1846 - 1924*, p. 109.
357 NAS GD435/11 minute of meeting, of NZALC Board of Directors 21st October 1878.
358 Ibid., 29th November 1878.
359 Ibid., 21st February 1879.

Gradually the liquidators, led by George Auldjo Jamieson, moved towards a resolution of the crisis, probably helped by the fact that he and Davidson were personal friends. The bank's depositors were repaid in full but the shareholders lost huge amounts of money – of 1,819 shareholders only 254 remained solvent.[360] In 1882 the remaining unsold assets, including Morton's shares in the NZALC and some sheep runs bought privately by Morton in New South Wales as well as some assorted properties in Lanarkshire and other miscellaneous items, were combined into a new company. This was the Assets Company Ltd., intended to manage the estates with the aim of providing some relief to the remaining creditors.[361] This company was wound up in 1890, after selling its Piallaway and Wallhallow estates in New South Wales to the NZALC in the late 1880s.[362] Despite its majority shareholding in the NZALC, the Assets Company Ltd. appears to have allowed Davidson a free hand in managing the NZALC, as will be explored below. Although to a large extent an exogenous event, the City of Glasgow Bank collapse was one that had important effects for the NZALC and helped to bring the company by necessity into a new era, one which might have had more continuities with the pre-merger era had the collapse not occurred.

5.3 Post Merger Structure

The collapse of the City of Glasgow Bank and James Morton's resignation came at what was already a watershed as the two original companies were adjusting to life as a single company. This adaptation came relatively easily as the common institutions of the Head Office and Dunedin agents between the two companies were already in place –

[360] Moss, *Potter, Lewis (1807–1881), Oxford Dictionary of National Biography Online Edition* ([cited 15th November 2007]).
[361] Kerr, *History of Banking in Scotland*, p. 263. The Assets Company Ltd. was not considered Free-Standing for the purposes of **Chapter 3** because it contained Scottish assets as well as Australasian.
[362] NAS GD435/12 minute of meeting, of NZALC Board of Directors 2nd July 1889. The Assets Co distributed its shareholding in NZALC to its shareholders in 1890. *Stock Exchange Official Intelligence,* Vol. XVIII, 1900.

this meant that there was less of an issue of seeking synergies after the merger as both companies were already enjoying economies of scope in management. What remained different, of course, were the properties of the two companies. Clearly it was difficult to find synergies between these operations as they remained physically separate places although livestock could be moved expensively where suitable transport links existed. A new economy of scale was found in shipping wool to the UK market, particularly as only one set of sales now had to be conducted on behalf of the merged company, and only one set of agents employed to do this. What is clear is that the former C&O runs, particularly those in Canterbury province such as Acton, the Levels, Pareora, Hakateramea and Deep Dell, remained the more productive runs and were cheaper to improve per acre than the NZALC's troubled properties in Southern Otago and Southland. Some critics have pointed to the defensive nature of this merger, although in the longer run there is little evidence of cross-subsidisation.[363] Certainly there were as yet no competition authorities either in Australasia or in the UK to take an interest in the merger, which was even granted official sanction via a private Act of Parliament.[364]

It is unclear if numerous candidates were considered for the post of General Manager after the departure of James Morton. The first mention of his resignation in the Board minutes, at the meeting of 15th January 1878, is also the first mention that a committee had previously been appointed to examine the issue of management.[365] This committee had reached the conclusion that Davidson should be offered the post of General Manager on the basis that he had performed well as manager of the C&O in New Zealand. The committee explained its rationale for choosing Davidson thus:

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[363] Moss, *Potter, Lewis (1807–1881), Oxford Dictionary of National Biography Online Edition* ([cited 15th November 2007]).
[364] NAS GD435/609/10 New Zealand and Australian Land Company, Act of Parliament 1877.
[365] NAS GD435/11 Minute of meeting, of NZALC Board of Directors 15th January 1878.

> The Committee have very anxiously considered the question of the future management of the company, which has emerged on consequence of the resignation of Mr Morton, and have had several meetings on the subject. They are of opinion that, as they are about to lose the wholly exceptional services of Mr Morton, in the capacity of manager, it is very desirable looking to the extent and nature of the interests at stake, that they should obtain as Manager, some gentleman who has practical experience of, and in the colonies, and who will be able in coming to this country to give his entire time to the duties of the office.[366]

Clearly, colonial experience was seen as a benefit by the directors, who were looking for someone whose general skills were supplemented by an awareness of the challenges of farming in New Zealand. Further, Davidson was also time served with the C&O – he had effectively started his career with the company as a cadet after being recruited in Scotland by Morton.[367] The institutional effectiveness of the organisation of the C&O is demonstrated by the fact that it was capable of training and nurturing internally someone with a combination of farming and business skills (and who apparently had no previous experience of either) and was then capable of recognising him as a rising star for rapid promotion, despite his relative youth. This may be one of the earliest cases of an internationally operating firm promoting one of its own recruits to a top management position back at its home office, in a pattern that would later become common in UK based FSCs and multinationals. Davidson was offered a contract at the pleasure of the board with remuneration of £2,000 per annum, and he was to have sole management of the affairs of the company subject to the direction of the board. Perhaps most crucially he was expected to work full time as manager.[368] This demonstrates that it was expected that there would be enough work at the Head Office to fill Davidson's time – as does the fact that he was expected to concentrate only on the affairs of the company and not any distracting outside interests as his predecessor had done. He was also expected to

[366] Ibid.
[367] Davidson, *William Soltau Davidson, 1846 - 1924*, p. 7.
[368] NAS GD435/11 Minute of meeting, of NZALC Board of Directors 15th January 1878.

devote time to be ready to visit Australia or New Zealand at any notice – despite the inconvenience of doing this. During his thirty-seven year tenure Davidson travelled to Australasia at least ten times to personally supervise operations there. This is all the more remarkable because the travel time to Australia was still around two months by sea – but Davidson appears to have taken such a hands on approach that cable communication was not sufficient.

Davidson was not expected to move straight back to headquarters, but to first carry out an inspection of all the NZALC's properties, both in New Zealand and Australia. This seems to have been useful to Davidson as it is unlikely that he had any previous experience of operations in Australia, with its more arid conditions, at this time. Hence it was not until a year after his official appointment that he arrived to take up the position of General Manager in January 1879, when he also presented to the board the results of his inspection of the estates.[369] Davidson made his mark rapidly, beginning by selling off Australian estates that had fallen below their book value.[370] The Bundure and Till Till freeholds in New South Wales were retained on account of their superior fertility. Despite his dislike of the NZALC properties in southern New Zealand, Davidson made little effort to sell them *en masse* following a bad harvest which seems to have started an economic downturn in the colony in 1879.[371] Instead, Davidson appears to have decided to use the growth of smallholding in New Zealand to the

[369] NAS GD435/11 Minute of meeting, of NZALC Board of Directors 16th January 1879.
[370] Davidson, *William Soltau Davidson, 1846 - 1924*, p. 91.
[371] NAS GD435/11 Minute of meeting, of NZALC Board of Directors 8th April 1879 – discussion of telegram from Dunedin. Historians debate the depth of this downturn: Gary Hawke has shown that there was a real growth slowdown between 1880 and 1900, with prices dropping by as much as 5%, and GDP growth being almost flat between 1879 and 1883. He also shows that after 1883 growth increased to healthier levels of between 2-5% per annum. See G. R. Hawke, *The Making of New Zealand* (Cambridge: 1985), pp. 66-83. Some revisionists claim that this was merely the transition from 'Progressive Colonisation' based on infrastructure investment to an export based economy. Belich, *Paradise Reforged: A History of the New Zealanders from the 1880s to the Year 2000*, pp. 32-38. Hawke more conservatively argues that the wool industry had simply reached its natural limits in terms of wool weight per sheep, while there were no other significant exports. Import prices also fell faster than export prices making it difficult for New Zealand producers to compete in their home market – refrigeration was the technology which allowed New Zealand to broaden its export base. Hawke, *The Making of New Zealand*, p. 83.

company's advantage and gradually sell small portions of land. This aspect of his strategy will be examined in more detail in **section 6.3**.

Below Davidson, the previously existing managerial network in both New Zealand and Australia was retained and strengthened. In New Zealand the agency house of George Grey Russell & Co., by the late 1870s trading as Russell Ritchie & Co., in Dunedin were retained throughout the period. The Edinburgh Head Office issued all Powers of Attorney for the company in New Zealand, principally to the partners of this firm, usually George Gray Russell and John MacFarlane Ritchie.[372] The retention of an external agency is surprising because all permanent employees below agency level were employed directly by the NZALC. This included the New Zealand Superintendent of properties, Thomas Brydone, who was moved by Davidson from being the pre-merger colonial manager of the NZALC in both New Zealand and Australia to a more concentrated role. The capacity of the agency house in this relationship appears to have been representative and advisory rather than managerial – Russell Ritchie & Co. acted as representatives of the company particularly to the New Zealand government Ministry of Land in carrying out the necessary administration to buy and sell land holdings.

This expertise was key to the retention of an otherwise external agent within the NZALC, although the company itself had at least a registered address in Bond Street, in central Dunedin, where official documents could be served. A secretary was employed at Bond Street, and it presumably also functioned as Brydone's office as well as receiving enquiries from the public about land leasing and sales.[373] The house was responsible for regular reports to the Head Office in Scotland not only regarding

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[372] NAS Minute of meeting, of NZALC Board of Directors GD435/11 11th February 1879.
[373] NAS GD435/11 Minute of meeting, of NZALC Board of Directors 19th September 1892. Bond Street address from back cover of sales brochure, Brydone T., (ed.) 'Notes on the New Zealand Properties of The New Zealand and Australian Land Company Ltd.', Nov 1889 (Dunedin). NAS GD435/611/4.

company affairs, but also in terms of advising on the prevailing economic conditions and regulatory environment. Often such advice was used to advise the Edinburgh Head Office on sales of land which required board level permission, most notably in April 1879 when Russell's cabled to warn Head Office of the poor harvest that year, and that land prices had crashed as a result and they should not continue with planned land sales.[374]

A similar role continued to be carried out in Australia by Messers Holmes White & Co. after 1877, although this house was based in Melbourne, distant from most of the NZALC's Australian runs which were concentrated in New South Wales and Queensland. The agency function was taken over gradually from 1879 by Messrs Alford & Co., who were dedicated stock and station agents rather than general mercantile agents.[375] Alford & Co. appear to have acted on a freelance basis for the company before being officially appointed as agents in 1883 with the senior partner Mr J. C. Alford being officially appointed attorney for the company in Australia.[376] Alford & Co. were also given a fixed remuneration from 1883 of £1,000 per annum, which is not only unusual for an agency house but perhaps reflects the importance of the function of the agents in Australia.[377] Previous evidence suggests that agents had been paid a percentage of the value of monetary sums handled.[378]

In Australia the regulatory environment for runholders was more complex than that in New Zealand, particularly in terms of dealing with the different jurisdictions which were operated as colonies totally separate from each other until Australia's federation in

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374 NAS GD435/11 Minute of meeting, of NZALC Board of Directors 8th April 1879.

375 The first mention of Alford & Co. is in NAS GD435/11, Minute of meeting, of NZALC Board of Directors 16th January 1879.

376 NAS GD435/11 Minute of meeting, of NZALC Board of Directors 19th September 1892.

377 NAS GD435/11 Minute of meeting, of NZALC Board of Directors 9th January 1883.

378 Such as, for instance, the C&O's previous, though contested, contract with Douglas Alderson & Co., which had allowed that firm 5% commission on profits earned in New Zealand. NAS GD435/2 Minute of meeting, 23rd June 1865.

1901, when the federal government was established. Given this, it is curious that an agency based in Melbourne was chosen again, although the merged company owned only one run in Victoria, Yawong Springs. This was gradually disposed of, following Davidson's 1879 report on the properties of the company in which he found that a property originally comprising some 78,000 acres of leasehold at the time of purchase had been reduced to just 1,280 acres of freehold and a few patches of remaining leasehold between settlers' runs.[379] This was due to Victoria's laws on landholdings which were designed to prevent squatters, or large companies, from establishing large estates as had occurred in other parts of Australasia. Individuals were permitted to lease parcels of land of up to 320 acres from the government at 2 shillings per acre per annum for three years, although the land had to be improved in value by at least 20 shillings per parcel during the lease period.[380] Under these laws the NZALC could lose the land they were leasing from the government when it was released to these settlers, or 'selectors'. Inevitably the settlers selected the most attractive parts of the run, leaving the company with infertile or inaccessible areas such as ridge tops and sandy areas. Alford & Co. were instructed to close the workings of Yawong Springs, along with the also inefficient Cardbeign station in Queensland in December 1880, leaving the company with properties only in New South Wales and Queensland.[381]

Alford & Co. were given a more active managerial role in Australia in addition to the representative role which was carried out by Russell Ritchie & Co. in New Zealand, as no superintendent equivalent to Thomas Brydone was appointed in Australia. Instead the managers of the individual stations were given more power – after the merger the three main Australian runs remaining were Bundure and Till Till, both in New South

[379] NAS GD435/611/2 'Private Report on the Estates belonging to the New Zealand and Australian Land Co. Ltd.' by W.S. Davidson, Nov 1878., p. 82.
[380] Ibid., pp. 82-3.
[381] NAS GD435/11 Minute of meeting, of NZALC Board of Directors 12th October 1880.

Wales, and Wellshot in Queensland, whose attempted sale had fallen through due to the City of Glasgow Bank collapse. This structure appears to have been adopted because the number of Australian properties was lower than the number of New Zealand properties, although this was compensated for by their immense size: as illustrated in **table 6.1**, which displays the known acreage of properties in both colonies in 1879. Bundure at this point encompassed about 120,000 acres, much of which was freehold, and Till Till contained over 380,000 acres of leasehold which was not considered attractive to selectors due to its very arid climate. No figures are specified for Wellshot but it was given its own inspector, a Mr Turnbull, alongside its manager to oversee affairs, although Turnbull was also engaged as a manager for a nearby independent farmer, George Fairbairn, suggesting that this was not intended to be a full time post.[382] Management in Australia was then carried on by Alford & Co. with occasional input from Davidson, on inspection visits from Scotland, although this situation was constantly under review.

On his 1881 tour of the colonies Davidson was asked to consider the appointment of a superintendent for the properties in Australia, although this came to nothing.[383] On his 1884 tour Davidson was asked to review the possibility of finding an agent in Brisbane to oversee Wellshot and to collect information about and lobby the Queensland government regarding land laws, although again Davidson appears to have thought better of this idea.[384] William Drysdale, a director of the company, made an inspection tour of both New Zealand and Australia in 1883.[385] Later, in 1886, Drysdale was appointed inspector of estates in New South Wales, while remaining a director, but one

[382] Ibid., Minute of meeting, of NZALC Board of Directors 29th August 1879.
[383] Ibid., Minute of meeting, of NZALC Board of Directors 22nd April 1881 – Instructions to Davidson from board.
[384] Ibid., Minute of meeting, of NZALC Board of Directors 2nd February 1884 – Instructions to Davidson from board.
[385] Ibid., Minute of meeting, of NZALC Board of Directors 20th November 1883.

with special responsibility for Australia. At around the same time the Board sent orders to Drysdale and Alford in Australia to find someone cheaper to replace Turnbull, with a salary not exceeding £400 per annum.[386] In 1891 Drysdale decided to move to Australia permanently, where he continued as a director with a fee of £200 annually plus an additional 50 guineas for each inspection of the Wellshot estate, until his death in 1903. Still, despite these changes, it would appear that the role of the agents remained more a managerial one in Australia than in New Zealand.

Below agency level the previous system of salaried career management was retained, in both New Zealand and Australia, for those parts of the company estates that were not sold or leased out. The cadet system which was started under the NZALC and C&O was retained and strengthened, having the additional benefit of providing some farm labour. Potential cadets applied or were recommended to the NZALC Head Office in Edinburgh by their fathers, where the board could approve their appointment, and subsequently place them on a property.[387] The NZALC were successful in inspiring their managers to be loyal company men over the longer period. By 1900 those with long service were rewarded with generous severance payments or even pensions on retirement, despite the company maintaining no specific pension fund.[388] Grants of land were sometimes made to retiring managers, and when the company sold many of the earlier properties in New Zealand in the early 1900s, some of the sales were to managers. The policy of providing all the estate managers with a house at the centre of the estate was continued, to ensure that managers continued to live on the estate, and the company continued to furnish these houses. When the former manager of the Levels

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386 Ibid., Minutes of Meetings of NZALC Board of Directors 30th March and 14th September 1886.

387 For instance George Madson was authorised as a cadet by the directors and placed on the Clydevale estate in Otago in the early 1880s. NAS GD435/464, letter from William Soltau Davidson to M. A. Hopkins, manager at Wellshot, dated 28th August 1883.

388 NAS GD435/13 Minute of meeting, of NZALC Board of Directors 30th November 1900 – Mr. Allan, manager of Acton run, had asked for his retiring allowance to be paid in a lump sum, not in installments; this request was refused.

estate in Canterbury province purchased the final 810 remaining acres of the estate in 1904, the furniture in the Levels house and cottage was gifted to him in recognition of his work as manager there (of course it might well have cost the company more to recover this furniture than its actual sale value).[389]

As time moved on, the expectations of the Home Office regarding the quality of management continued to rise, and in general they seem to have been met, although there was concern at the Home Office that the quality of management required some standardisation. There was particular concern that the agricultural plans for each year, which were devised by Thomas Brydone and sent to Edinburgh for approval, to optimize production according to the prevailing market prices were not always being followed.[390] In 1887 Davidson wrote to the managers of the New Zealand estates with specific instructions as to how they were to report their results back to head office.[391] Reports were to be produced four times a year, at the end of June, September, December and March. To make these reports comparable, Davidson made his instructions to station managers, very precise laying out a standard format for the reports under some twenty-five different headings, discussing every possible facet of estate management. This included the supervision of tenants, accounting for land improvements and their quality, accounting for implements, monitoring the weather, accounting for livestock, problems encountered with vermin, the regulatory environment, the management of cultivation, the areas ploughed, the use of cropping contractors and the inclusion of any other general remarks thought relevant. Central to this was the idea that all managers should be keeping a diary of the day to day activities on the run so that the reports would simply consist of an abstract of these diaries. A further concern of Davidson's

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[389] Ibid., Minute of meeting, of NZALC Board of Directors 8th March 1904.
[390] NAS GD435/11-13 Minutes of Meetings of NZALC Board of Directors passim.
[391] NAS GD435/611/13/1 – letter from Davidson to the Managers, New Zealand and Australian Land Coy's Estates, New Zealand. Dated Edinburgh, 25th August 1887.

was that some managers were more interested in animal welfare than in profits, as management did not have the same risk of bankruptcy threatening them that an independent farmer would.

Managers were told that, particularly with depressed prices for produce prevailing, 'the first consideration must always be will the proposed undertaking pay?'.[392] Hence it was intended that, as actual accounting statements were now requested, management would be more aware of the need to allocate the resources under their control more efficiently, and that managers would work closely with Brydone in coming to efficient arrangements. In terms of incentivisation the most strikingly important sentence in the whole document was:

> In dealing with the whole question, place yourselves in the position of proprietors, and make every effort to work the places as economically and as profitably as if they were your own.[393]

Davidson's intention here appears to have been to convey the expendability of the managers as employees – just as an independent farmer could go bankrupt (and many did so in New Zealand at this point),[394] corporate farmers could not rely indefinitely on the subsidy of the wider company. On the other hand, there is no evidence that any manager was ever actually removed from his position for mismanagement, at least openly so it appears that management had security of tenure unless the Edinburgh board decided entirely to dispose of the estate that they were responsible for managing. Managers seem to have been very secure in their positions and were even frequently given salary increases and bonuses, although some of these were tied to specific

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[392] Ibid., p. 2.
[393] Ibid., p. 2.
[394] Belich, *Paradise Reforged: A History of the New Zealanders from the 1880s to the Year 2000*, p. 36.

achievements, such as the bonus to the manager and clerk of Totara station for the extra work carried out in slaughtering sheep belonging to the other stations so that the carcasses could be frozen.[395]

At lower levels tenure was generally not as secure as it was in management. Although each station had a wide variety of jobs carried out both by labourers and by more skilled employees such as sheep shearers, each station employed most of its staff only seasonally. As might be expected, there was a high degree of reliance on casual labour, and both countries had a high population of itinerant male immigrants who relied on this casual labour as they were not able to obtain land of their own. Records of the exact numbers employed were probably not kept, and certainly do not seem to have been sent back to Edinburgh. Instead, it was left to station managers, or more likely their foremen, themselves to decide how many men to employ. Although his source is unclear, Williscroft claims that in the 1880s the 15,000 acre Totara estate in Otago province was employing twenty men permanently, increasing to around fifty in the autumn with harvesting and sheep shearing.[396] This is likely to be a high figure compared to the other New Zealand estates. The farmstead at Totara hosted the central slaughterhouse for all the company properties in the area when the company started frozen meat exports in the 1880s and needed to employ more people for this purpose.

According to Williscroft the main incentive for itinerant labourers was that the company would accommodate and feed them for the duration of their employment, although as mentioned in Chapter 4 the conditions of such employment could still encourage a difficult relationship between employer and employee.[397] Such itinerants could also cause trouble if they turned up looking for work but were not given any, or if they were

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[395] NAS GD435/11 Minute of meeting, of NZALC Board of Directors 27th May 1884.
[396] Williscroft, ed., *A Lasting Legacy - William Davidson 125*, p. 29.
[397] Ibid., pp. 29 - 30.

dismissed. To combat this and to prevent violence or reprisal attacks on property, the NZALC had a policy of giving a meal to all itinerants that visited its farms looking for work.[398] In less populated areas, such as in Southland or on the remoter Australian properties, lack of suitable labour could be more of a problem. This remained a particular problem on the Edendale estate, where Davidson claimed that the company was typically paying more for less reliable labourers, those of a higher calibre apparently having been attracted to the better climate of the north.[399] More realistically, migrants were more likely to be attracted to areas with higher levels of economic activity.

In addition to the direct employment of labourers on a casual basis, contracting was becoming increasingly important to the company, particularly as arable crops outside the NZALC's area of expertise became more important. Further, as more land became available to smallholders throughout the 1880s and 1890s the number of itinerants was falling. Cropping contractors, often smallholders elsewhere in their own right, were typically contracted for a year to turn over native scrubland that was to be re-sown with English grass the following year.[400] As the company properties became more developed, it became necessary instead to renew old areas of English grass that were exhausted from grazing, but where the English grass had survived. Typically turnips were sown in these lands in spring, and were used by the NZALC to feed livestock; then the land would again be broken up to be sown with wheat in the more temperate climate of Canterbury or North Otago, or further south to be sown with oats. Wheat was particularly advantageous as it could be used as a cash crop for outside sale, sometimes

[398] Ibid.
[399] NAS GD435/611/2, 'Private Report on the Estates belonging to the New Zealand and Australian Land Co. Ltd.' by W.S. Davidson, Nov 1878. p. 6.
[400] Ibid., p. 48, NAS GD435/611/4 Brydone, 'Notes on the New Zealand Properties of The New Zealand and Australian Land Company Ltd.', Nov 1889 (Dunedin), p. 9, NAS GD435/611/5 Hector, J. (ed), 'Notes with Map and Plans of Estates Describing the Freehold Lands Offered for Sale and Leasing by the New Zealand and Australian Land Company Ltd.; also Remarks on Farming in New Zealand followed by Extracts from a 'Handbook of New Zealand' (Edinburgh, 1880) p. 40.

being exported to the UK, while oats again could be used as animal feed. This practice meant that soil fertility could be boosted for the new grass and clover coming in, while allowing some revenue opportunity from wheat production. Contractors with specific expertise were also used to deal with the continuing problem with rabbits, which were often worse at certain times of the year and so again it was not always beneficial to have a permanent staff attached to this. In the autumn Edendale employed five rabbit hunters who produced 25,000 rabbit skins, which were also saleable.[401] This contracting system allowed the company to maintain land values while keeping risk at a relatively low level, as the managerial responsibility for these activities was passed on to the contractors even if the company remained responsible for the eventual sale of their products. Further, with an indirect contracting arrangement there was less of an issue with the long term employment of staff as this became the problem of the contractors.

After the merger of the New Zealand and Australian Land Company and the Canterbury and Otago Association the structure of the new company continued to build on that of the old companies. The two separate colonial structures were merged, particularly in New Zealand under Thomas Brydone as Colonial Manager there, and were further rationalised in Australia, although the issue of management in Queensland was never quite resolved. Entrepreneurial involvement from Head Office was strengthened further, and evidence suggests that this level of control did not diminish even after Australia’s federation and granting of self-rule in 1901 and New Zealand’s in 1907, with both countries continuing to be referred to as ‘the colonies’ in the minutes even after effectively being granted independence. Further, the role of William Soltau Davidson as entrepreneur was crucial for the development of the company, taking a direct part in arranging new ventures for the company both in the UK and in both host

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[401] NAS GD435/611/2 Davidson, ‘Private Report’, p. 6.

countries, and frequently visiting both host countries to oversee developments taking place there in his absence as well as to instigate new developments. The directors also took a more entrepreneurial role in this period, not only continuing to take a direct interest in the financial situation of the firm but also scrutinising more closely its affairs in the host countries and even in some cases visiting these to see the state of company operations for themselves. For instance, during the 1888-9 southern hemisphere summer, the Chairman, Robert Stewart, whose role was mostly a supervisory non-executive one, accompanied Davidson on a visit to the colonies.[402] Through this structure, then, contrary to the host nation orientation that might be expected, the NZALC reinforced its 'Scottishness' in this period rather than becoming more antipodean. This chapter will now go on to examine the strategies followed by the company in both host countries and to investigate how far the Head Office determined those strategies.

5.4 Vertical Integration and Strategy in New Zealand

This section will examine the strategy of the New Zealand and Australian Land Company specifically in New Zealand after 1878. In this period important themes included the gradual movement away from a concentration on the direct operation of all company owned estates (although by no means its total abandonment), a brief period of involvement in the livestock carcass freezing industry and a longer period of vertical integration into dairy products, and the gradual sale of the company estates to smallholders hastened by an unfavourable regulatory environment. This section will argue that, even though some of these policies involved retreat from New Zealand, this

[402] See NAS GD435/12 – minutes of meetings 5th Oct 1888, when the board unanimously agreed that Stewart should visit the colonies and 17th December 1889, when a vote of thanks for the visit was proposed.

exit decision remained an entrepreneurially motivated one driven from Edinburgh rather than a speculative failure.

The involvement of the NZALC in organizing the first frozen meat exports from New Zealand has already been well documented by a number of authors, although its subsequent failure to remain in this part of the industry for a longer period has not. Even Davidson himself does not admit this in his autobiography, despite his keenness to point out that refrigerated exports provided an outlet that was not previously available for sheep carcasses. On 2nd February 1880 the directors showed interest in the successful shipment of frozen beef and mutton by a Queensland syndicate on the *Strathleven* which had arrived in London on that same day, using the Bell-Coleman refrigeration process. Subsequently Davidson was deputised to consult Mr Bell from the Bell-Coleman Mechanical Refrigeration Co.,[403] a small Glasgow based partnership, about the possibility of adopting this process for the NZALC's needs, and also with to discuss shipping agents the possibility of using this process on board ship.[404] The Bell brothers had been inspired to work on refrigeration techniques after acting as the Glasgow agents of T. C. Eastman's New York based dressed beef shipping business, but noting the inefficiency of the technique used by Eastman as it required 25% of the available storage space to be filled with natural ice. The Bell brothers proposed that refrigeration using cold dry air would be a feasible alternative and approached Professor Sir William Thompson, later Lord Kelvin, of Glasgow University for advice. Thompson introduced the brothers to a Mr J. J. Coleman, with whom the partnership was formed and patents taken out in 1877.[405] Again the Scottish head office of the NZALC proved particularly useful in making such connections possible, and this is one

[403] Critchell and Raymond, *A History of the Frozen Meat Trade*, p. 25.
[404] NAS GD435/11 Minute of meeting, of NZALC Board of Directors 10th February 1880, p. 110.
[405] Critchell and Raymond, *A History of the Frozen Meat Trade*, p. 25.

of the best examples of technology transfer from home country to host country in a Free-Standing Company.

It is also a rare example of a Free-Standing Company investing in Research and Development, of sorts at least, although this process was partly externalized. In Edinburgh in April 1881 Davidson and James Melvin were authorised to make an expenditure of £1,000 which was used to purchase and adapt a Bell-Coleman machine to work with a dedicated steam engine on the *Dunedin*, a sailing ship belonging to the Shaw Savill and Albion Line, another Glasgow based firm.[406] A specially chartered voyage by sailing ship was chosen in preference to the alternative of renting space on a steamship, simply because of the lack of direct steamship sailings from New Zealand to Britain at this time, most journeys requiring a stop in Australia.[407] A further benefit was that more room would be available on the specially chartered ship for carcasses. Coleman appears to have been the main architect of the scheme in technical terms, supervising the outfitting of the *Dunedin* with the new plant and lining walls necessary, and working to suit the commercial needs of his clients.[408] In doing this he designed the plant so that carcasses could be frozen on board ship rather than on shore, removing the need for an expensive investment in fixed assets in setting up freezing plants – early Australian freezing plants set up after the voyage of the *Strathleven* had not met with initial commercial success.[409]

A further benefit of the dry air system indentified by Coleman was that when frozen solid the carcasses could be packed as closely together as possible without crushing each other, maximizing the numbers that could be conveyed – the original target was

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406 Ibid., p. 39., NAS GD435/11 Minute of meeting, of NZALC Board of Directors 5th April 1881.
407 Davidson, *William Soltau Davidson, 1846 - 1924*, p. 33.
408 Critchell and Raymond, *A History of the Frozen Meat Trade*, p. 39.
409 See Ibid., pp. 32 - 38.

around 7,500.[410] In the event only 5,000 were carried, possibly due to problems in finding enough sheep ready for slaughter. Davidson had written to Brydone to instruct him to organise the construction of a slaughterhouse at the Totara farmstead as late as April 1881 – the voyage left in December.[411] Around this time Brydone visited the Melbourne freezing works of The Australian Frozen Meat Exports Company, built in 1880 in preparation for loading the *Protos*, which undertook an experimental shipment for Victorian and New South Wales farmers.[412] The low importance of the meat trade to the NZALC, and indeed to the meat industry in New Zealand generally, is shown by the fact that the company had to build a slaughterhouse: no suitable facility existed, at least on the South Island.

The internalisation of the slaughtering part of the process itself is interesting, especially as it had not been done previously for the sale of stock to the New Zealand Meat Preservation Company. In terms of exporting, the choice of the Totara estate as the location for the slaughterhouse makes sense, given its proximity to the port of Oamaru and its being on the main railway line from the south, which also passed directly through the Edendale estate and close to Clydevale. At this point Davidson hoped that Oamaru would grow to become as influential a port as Dunedin was, perhaps to the extent of swallowing up parts of the Totara estate itself, so in terms of attracting business from farmers from outside the NZALC this could have been regarded as a shrewd future investment.[413] Either way, as mentioned above, the intention was to freeze carcasses on board ship even though this process would mean leasing the ship for an additional month – during this loading and freezing process the refrigerating plant broke down, resulting in the loss of about 300 carcasses and the sale of the 300

[410] Davidson, *William Soltau Davidson, 1846 - 1924*, p. 35.
[411] Critchell and Raymond, *A History of the Frozen Meat Trade*, p. 40.
[412] Ibid., p. 33.
[413] GD435/611/2 pp. 45 – 50, Davidson, 'Private Report'. Davidson hoped to sell off the Totara and Ardgowan estates gradually as suburban land as Oamaru expanded.

successfully frozen carcasses in Dunedin.[414] The fault was repaired by Bell-Coleman's engineer and the voyage was eventually completed, despite a few mishaps on the way, in London on May 24th 1882.[415] The slowness of this journey was illustrated by the fact that Davidson had been able to return to the UK by steamship and meet the *Dunedin* on its arrival in London. Davidson then played a key role in distributing this first cargo of frozen mutton in London, although 400 sheep carcasses were also dispatched to Glasgow.[416] According to a statement of accounts published in Critchell and Raymond's *A History of the Frozen Meat Trade*, apparently given to them by Davidson, this initial shipment had cost nearly £3,800 but made a profit of just over £4,000.[417]

The NZALC had completed the first shipment of frozen mutton from New Zealand but as early as April 1882, even before the *Dunedin* had actually reached London, new firms were starting to enter the market. In that month The New Zealand Shipping Company offered the Dunedin agents of the NZALC room on a vessel called *Mataura*, which had been fitted out with refrigeration equipment.[418] The board ordered Davidson to telegraph back to the Dunedin agents not to ship any meat on this vessel, choosing to continue the NZALC's exclusive use of the Albion Line. The *Dunedin* made a second voyage in late 1882, and in 1883 a contract was made with the Albion Line to expand to the *Marlborough*, sister ship of the *Dunedin*, after Brydone had cabled home that another ship could easily be loaded after the *Dunedin* in May 1883.[419] At the same time Davidson was asked by the board to enquire into the erection of a refrigerating store in New Zealand[420] – no evidence of his report to the board on this survives, but the company certainly did not decide to build a fixed freezing works on land. Instead, the

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[414] Critchell and Raymond, *A History of the Frozen Meat Trade*, p. 41.
[415] Ibid.
[416] Ibid., p. 43.
[417] Ibid., pp. 42-43.
[418] NAS GD435/11 Minute of meeting, of NZALC Board of Directors 4th April 1882.
[419] Ibid., Minutes of Meetings of NZALC Board of Directors 22nd May 1883 and 24th July 1883.
[420] Ibid., Minute of meeting, of NZALC Board of Directors 1st May 1883.

freezing of carcasses on board ship was continued, possibly because the fixed costs involved in setting up a factory appeared too high for the company, or possibly because the New Zealand Refrigerating Co., in which Thomas Brydone took a small shareholding, was formed as early as 1881 to build works at Burnside, near Dunedin.[421] The strategy followed in the 1880s by the NZALC seems strange in this regard – vertical integration into production on board ship and marketing in London partly via agency and partly via direct representation continued until 1889 when both the *Dunedin* and *Marlborough* were lost at sea.[422]

In the same period the initiative on the processing side was lost to a number of new entrants, including the Canterbury Frozen Meat Company near Christchurch, and the Gear Meat Company on the North Island.[423] This may have been a deliberate decision to some degree in around 1887 as the entry of Nelson Brothers Ltd., a bi-national trading firm, was partly sponsored by Davidson who was a founding board member. This was not just a networking directorship, but one undertaken to benefit NZALC – Davidson's fee for this was paid directly to the company.[424] Nelson Brothers operated freezing works in New Zealand to process the carcasses and opened cold stores in London capable of storing 200,000 carcasses for distribution, thus vertically integrating the manufacturing and distribution parts of the chain. Davidson also became a director of the Colonial Consignment and Distributing Company, an agency company intended to represent owners and shippers in London independent of speculation.[425] After the loss of the *Dunedin* and *Marlborough* the NZALC sold its stock to firms such as Nelson Brothers and the New Zealand Refrigerating Co. for freezing and onward distribution -

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[421] Critchell and Raymond, *A History of the Frozen Meat Trade*, p. 60. Brydone also joined the board of this company in 1884.
[422] Ibid., p. 43. Davidson, *William Soltau Davidson, 1846 - 1924*, p. 42. Curiously, the minutes of the board make no reference to the loss of these ships, supposedly to icebergs off the Cape Horn.
[423] Critchell and Raymond, *A History of the Frozen Meat Trade*, pp. 60 - 73.
[424] GD435/11 Minute of meeting, of NZALC Board of Directors 14th September 1886.
[425] Davidson, *William Soltau Davidson, 1846 - 1924*, p. 44.

another aspect of the gradual move away from the original emphasis of the NZALC on agricultural operations. However, the failure to move into processing could be considered a failure in the Chandlerian sense as the NZALC's competitive advantage of being a large company based in Edinburgh with the potential to develop manufacturing and distribution on its own terms was forfeited to smaller farmers who could now gain access to the British market through the new freezing and distribution intermediaries.

Vertical integration into manufacturing was pursued much further on the dairy products side of the business, although to some degree this represented entrepreneurship from the host side. Traditionally far fewer cattle than sheep had been kept by the NZALC: in 1880 the company had just 9,800 cattle in New Zealand compared to 446,000 sheep although it was realised that refrigeration also allowed some potential in the dairy products industry.[426] Dairying on the New Zealand properties was the brainchild of Thomas Brydone, who saw the potential of the NZALC's southern properties in New Zealand, particularly Edendale, for dairying rather than raising sheep. As early as May 1881 Brydone had written to Edinburgh to seek permission to carry out his 'dairying scheme' – permission was tentatively given, though he was asked 'to do as little as possible' until Davidson reported to him on his visit to the Ingersoll Dairy Factory in Canada, which was already producing for the mass market, and which Davidson was able to visit on his way to Australasia for an inspection tour.[427] On this visit Davidson was given sufficient access to the factory to enable him to directly model the dairy factory built by Brydone on the Edendale estate on the Ingersoll establishment.[428] By 1889 the factory was turning out around 200 tonnes of cheese annually, and had earlier recouped £500 of its £1,200 building cost by winning a government bonus for the first export of New Zealand cheese, a total of 25 tonnes. This turned round the fortunes of

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[426] See **Table 5.7** below.
[427] NAS GD435/11 Minute of meeting, of NZALC Board of Directors 3rd May 1881.
[428] Davidson, *William Soltau Davidson, 1846 - 1924*, p. 31.

the Edendale estate which had previously been something of a problem for the NZALC, having proved difficult to make into useful pastoral land on a large scale. Now the dairy factory was used as a selling point for land on Edendale to small farmers, who could purchase or rent land there in the knowledge that they had a guaranteed customer for the milk from their cows.[429]

Further expertise was secured for the Edendale factory in 1890 when Davidson was sent by the board to Denmark to recruit an expert on butter manufacture, Denmark at this stage being the leading exporter of butter to the UK market.[430] This move was another which perhaps ended up benefiting the New Zealand protein industry generally more than the company itself. The Danish expert was then poached by the New Zealand government in 1891 to act as an instructor and lecturer for new butter manufacturers.[431] The company continued to operate the factory long after much of the Edendale estate had been sold to dairy farmers, although low cheese prices in the mid-1890s made the factory difficult to operate profitably. The board decided to tolerate the loss on cheese manufacture somewhat charitably to prevent the company's land purchasers and tenants on Edendale from defaulting as a result of lower milk prices.[432] A second factory was also set up at Mataura, close to Edendale, as a joint venture in 1887.[433] Davidson again worked closely with dairy merchants based in London's Tooley Street, to find a market

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[429] NAS GD435/611/4 Brydone 'Notes on the New Zealand Properties', 1889.
[430] NAS GD435/12 Minute of meeting, of NZALC Board of Directors 1st April 1890.
[431] It is possible, but not the expert was the influential Danish dairy expert Carl W. Sorensen. The NZALC Board Minutes of 1st April 1890 mention that Davidson was dispatched to Denmark to hire a butter expert – NAS GD435/12. Davidson mentions this in his own memoirs and notes that the expert later became a New Zealand government consultant and lecturer on the subject - Davidson, *William Soltau Davidson, 1846 - 1924*, p. 32. This expert was never mentioned by name, but Steel names Sorensen as an expert hired by the New Zealand Government in 1891 as an Assistant Dairy Instructor, and states that he had a significant effect in this role in encouraging the NZ dairy industry to reach the highest standards to guarantee exports to the UK, as Denmark had done previously. See F. Steel, "'New Zealand Is Butterland' - Interpreting the Historical Significance of a Daily Spread," *New Zealand Journal of History* 39, no. 2 (2005): p. 4.
[432] NAS GD435/12 Minute of meeting, of NZALC Board of Directors 6th August 1895.
[433] NAS GD435/12 Minute of meeting, 1st March 1887.

for the NZALC's produce, which was marketed under the brand name 'Edendale'.[434] The remaining parts of the Edendale estate and factory were eventually sold as a package in 1903 for £200,000 as part of Davidson's wider plans to move the NZALC's focus across to Australia.[435]

The most important strategic move for the NZALC in New Zealand after the merger was the gradual move towards acting as more of a property company rather than a farming company. Davidson sensed that there was more scope for corporate farming in the open and arid expanses of Australia than in the increasingly competitive land market of New Zealand as early as his tour of the properties undertaken in 1878 before taking on the post of General Manager.[436] Davidson suggested that a value of £10-15 per acre could be realised, and that with increasing pressure for land in the colony the government might legislate to force the subdivision of large estates.[437] 1878 had also seen the introduction of property tax in New Zealand as the government was forced to increase taxation to service the debt created by the extensive public works programmes of the 1870s. Hence realising the value tied up in the land owned by the company would have its benefits – although, as noted above, it is not as though regulation in Australia was any more benign. In addition there were various small parcels of land that the old NZALC under Morton had simply held, having inherited them from the former associations but not utilized in any way, including a miscellany of town sections in Dunedin, Invercargill, Port Chalmers, Tokomairiro, Oamaru and Kakanui. Although

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[434] Davidson, *William Soltau Davidson, 1846 - 1924*, p. 45.
[435] GD435/13 Minutes of Meetings of NZALC Board of Directors passim 1902-04.
[436] GD435/611/2 Davidson, 'Private Report', p. 70.
[437] Ibid., p. 72. Land in New Zealand was more valuable on average than land in Australia at this point, even if the company had not invested in improving it. In 1879 simply dividing the valuation of all the land owned (£2,896,600) by the acreage (509,848) in New Zealand gives a resultant value of approximately £5 14s per acre. In Australia the same calculation (land value of £398,217, divided by 572,683 total land holding) gives an average value of just 14s per acre, suggesting that land in New Zealand could be sold and when the money was invested in almost five times as much property in Australia the sale would still release a profit. NAS GD435/611/2, W. S. Davidson, 'Private Report on the Estates belonging to the New Zealand and Australia Land Company Ltd.', p. 126.

Tokomairiro and Kakanui both represented holdings of low potential, being in towns which failed to grow, those in Dunedin and Invercargill were barely being exploited.[438] In addition there was a holding of 55 acres on the Bluff Harbour peninsula which was not being utilized, and a further holding of 105 acres north of Invercargill which again was not being worked.[439] These sections could be disposed of quickly, and in the longer run a series of small offcuts and exclaves related to the more established properties could also be disposed of without affecting the NZALC's ongoing agricultural programmes. Holding these properties without making use of them for some years had represented poor entrepreneurship.

The task of selling off parts of the larger estates was to prove more complex – the process of gradual disposal took over thirty years to complete and had to be integrated with the ongoing agricultural usage of the sections yet to be brought to the market. The approach taken by Davidson and the board was to offer a choice to settlers of opting to purchase land with a mortgage, most likely provided by the National Mortgage and Agency Company of New Zealand,[440] or leasing for a twelve year term with the option of purchase. The leasing and purchasing contracts used were designed to ensure that the new settlers remained good neighbours with the company, and in the case of leasing the company effectively dictated what the land could be used for. For instance, the arrangement used on Edendale in 1889 restricted tenants to growing only two grain

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[438] Ibid., p. 125.
[439] Ibid., p. 9.
[440] NZALC enjoyed close links with the London based National Mortgage and Agency Company of New Zealand (NMAC), formed in 1877. It purchased the Russel, Ritchie and Co. stock and station agent business in 1878. From this point the company expanded into mortgaging as well as continuing the stock and station agent business and also acted as shipping agents for the Shaw Savill and Albion Line. Parry, *N. M. A.: The Story of the First 100 Years*, pp. 26-28. The NMAC's offices in Christchurch, Timaru and Invercargill were advertised as agents for NZALC in the company's 1880 guide for prospective settlers. See NAS GD435/611/5 The New Zealand and Australia Land Company Ltd., *Notes with Map and Plans of Estates Describing the Freehold Lands Offered for Sale and Leasing by the New Zealand and Australian Land Company Ltd.; also Remarks on Farming in New Zealand followed by Extracts from a 'Handbook of New Zealand*, edited by Dr James Hector CMG, FRS (Director of the Geological Survey)', (Edinburgh 1880). Additionally, in 1890 a Mr William Hay, a purchaser of land under the NZALC land purchase scheme was noted to be in arrears in his mortgage payments to the NMAC until his friends contributed to clearing his debts. NAS GD435/12, minute of meeting, 5th August 1890.

crops in six years, and only turnips and grass for the remaining four years.[441] Although this arrangement meant that farmers would have little entrepreneurial control over their own activities, it also meant that they were spared the problem of having to decide how the land might be utilized most efficiently. In addition the tenants were expected to maintain, to company standards, whatever buildings they inherited from the company and to have any new buildings authorised by the company. The tenant was responsible for insuring these buildings, and for building new fences wherever necessary and keeping rabbits and other pests under control. These safeguards ensured that the value of the property was maintained for later resale if necessary, or should the company have to resume farming the land at the end of the lease term, which was relatively short at twelve years. In addition the agreements ensured that any tenants were good neighbours for the company's ongoing farming operations on the land as yet to be leased or sold, particularly with regard to the level of pests and in terms of livestock being prevented from straying. Through this arrangement the company was still able to gain an income from each property but at a reduced level of risk, while turning the existing competition for land with small farmers to its own advantage. The previously mentioned problems of sharing either leasehold or freehold properties with small farmers could also easily be overcome through these contracts.

In terms of marketing these small landholdings, the NZALC appears to have followed a strategy of targeting both those seeking farming land in New Zealand and those seeking a path of emigration from Scotland. The role of the NZALC in promoting emigration has been undersold by existing writers on the subject such as Brooking.[442] While there is no clear indication of the numbers that the company encouraged to emigrate because no records are known to exist of where the land purchasers come from, it is clear than

[441] GD435/611/4 Brydone 'Notes on the New Zealand Properties', 1889, p. 11.
[442] Brooking, "'Tam McCanny and Kitty Clydeside' - the Scots in New Zealand," pp. 168-169.

an attempt was made to bring settlers from Scotland. Guidebooks to the lands for potential purchasers survive from 1880, 1882 and 1889, edited, and with parts written personally by Thomas Brydone which included information about the company, the lands available and more general information about New Zealand geography and agriculture.[443] In Scotland existing farmers were targeted by advertisements in an agricultural journal, *The North British Agriculturalist*,[444] and a Mr J A Hoofz, an emigration agent, was engaged to find potential emigrants to purchase company lands.[445] A relatively wide spread of income groups were targeted as all the company's lands were made available despite their accessibility – the highest annual rent per acre in 1889 was set at 12s 6d for the most developed land - land on The Levels and Pareora estates where English grass had successfully taken root and near railway stations, with a frontage along a main road and where other facilities such as local schools had been set up.[446] Farther from facilities, and particularly where land was unimproved or particularly remote, a lesser sum would be accepted despite the increased risk factor that the tenant might run into financial difficulty.

If a smallholder was willing to commit to a property for a longer term, then purchasing under the scheme could potentially represent better value for money as the payments were flexibly spread over a seven year period: 30% in cash straight away, a further 20% was due after two years and the remaining 50% due within seven years.[447] Interest was fixed at 6%, or 5% in Southland where it was recognised that making a profit was more challenging. Again this time frame was relatively short and meant a potential buyer could even re-sell quite quickly. These land holdings were sold by agents acting at the

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[443] See NAS GD435/611/4, 5 and 6. Presumably others were published in intervening years but did not survive.
[444] NAS GD435/11 Minute of meeting, of NZALC Board of Directors 18th October 1881.
[445] NAS GD435/11 Minute of meeting, of NZALC Board of Directors 9th March 1880.
[446] NAS GD435/611/5 Hector, J. (ed.) 'Notes with Map and Plans of Estates Describing the Freehold Lands Offered for Sale and Leasing by the New Zealand and Australian Land Company Ltd.; also Remarks on Farming in New Zealand followed by Extracts from a 'Handbook of New Zealand' pp. 39-40.
[447] NAS GD435/611/4 Brydone 'Notes on the New Zealand Properties', p. 10.

Dunedin office, and also via the offices of the National Mortgage and Agency Co. Ltd in New Zealand among other agencies.[448] In addition intending purchasers could arrange to call at the properties in question and have the estate manager point them out. For many years the importance of purchasing in comparison to leasing appears to be secondary, although an attempt at a complete audit of all the company's land sales as in **Table 5.2** has highlighted a number of issues about the role of Head Office control in this process. Firstly **Table 5.1** lists all landholdings in 1879 and 1889, when clear audits are available.

Table 5.1 – NZALC aggregate freehold land holdings 1879 and 1889.

Property	**Acreage1879(a)**	**Acreage 1889 (b)**
Acton	20430	16215
Ardgowan	6444	4480
Aparima	7041	0
Clydevale	37254	36498
Levels	74002	57579
Merrie Creek	2771	0
Moeraki	8621	6666
Pareora	22505	13999
Totara	15113	10796
Bluff Harbour	55	0
Kaikorai	745	0
Waitepeka	3145	0
Invercargill Hundreds	105	0
Edendale (c)[449]	125860	46239
Hakateramea	0	23379
Kurow	609	646
Deep Dell	640	0
Total Acreage	**325340**	**216497**

a) These values are taken from NAS GD435/611/2, W.S. Davidson's report on his visit to the colonies of 1878, p. 125. Roods and perches have been eliminated for simplicity. This table does not include town sections or property leased from the New Zealand government.
b) These values are taken from the publicity booklet NAS GD435/611/4, 'Notes on the New Zealand Properties of the New Zealand and Australian Land Company Ltd., Nov 1889.', p. 125.
c) Edendale includes the sub-properties Matuara Plains, Waimumu, Forest Hill, Lindhurst, Edendale, Seaward Downs, Hunter's Bush, Otermika, Waihopai Downs, Morton Mains, Flemington, Woodlands, Mabel, Halfway Bush, Lothian, Thornton's Land, Spurhead, and Spar Bush, also taken from NAS GD435/611/4, p. 125.

[448] NAS GD435/611/5 Hector, 'Notes with Map and Plans', inside front cover.

Table 5.2 NZALC Sales of Freehold Land reported to Head Office, 1879-1906.

	The Levels	Pareora	Edendale (a)	Totara	Acton	Clydevale	Others (b)	Govt (c)	Total
1879	417	4420	9542	3406			1507		19292
1880							296	8	304
1881		22	1056	20			100	14	1212
1882	1541	137							1678
1883	112	7	303				744	28	1194
1884	574	183	2855		555				4167
1885	7181		3345						10526
1886	93							19	112
1887			672					14	686
1888	408							3	411
1889	1477				300				1777
1890			18		284				302
1891	2217	193			294		372	3	3079
1892	566				1293		4		1863
1893	315				56		26		397
1894	231		219		448	46			944
1895	77				8				85
1896	1102		434		102			22	1660
1897	1239	273		40	651			20	2223
1898	801					1508			2309
1899	1819		217						2036
1900	761				499		570		1830
1901									0
1902	10				371				381
1903	2		45730						45732
1904	39403								39403
1905				658			1200		1858
1906				14048		35011	0		49059
Total	60346	5235	64391	18172	4861	36565	4819	131	**194520**

Source: Acreages sold per year and which required the permission of the board extrapolated from NAS GD435/11, 12 and 13 with 1879 numbers from GD435/611/5. Roods and perches removed for simplicity. Does not include land swaps where acreages were swapped with other landowners. Years where no known land sales took place left blank.
a) Edendale includes the sub-properties Matuara Plains, Waimumu, Forest Hill, Lindhurst, Edendale, Seaward Downs, Hunter's Bush, Otermika, Waihopai Downs, Morton Mains, Flemington, Woodlands, Mabel, Halfway Bush, Lothian, Thornton's Land, Spurhead, and Spar Bush, taken from NAS GD435/611/4, p. 125.
b) Includes smaller properties with less than 5,000 acres total land sales in period – Moreaki, Waitepeka, Ardgowan, Hakateramea, and four acres from an unspecified run.
c) Includes all acreages sold or gifted to national or local government for road or school building purposes, acreages sold for railways and acreages gifted to Churches.

Table 5.2 suggests that the NZALC was mostly successful in carrying out its long term policy of disposing of its land holdings, particularly with the large sales undertaken by Davidson initially on entering office in 1878-9, and with those of most of the remaining parts of the estates to the government in 1904-1906. Interestingly, there remains a discrepancy of 22,000 acres unsold by 1906 based on these figures, although the Hakatermea estate continued to be held along with a few other small properties after the company had sold most of its prestigious estates. These numbers have been collected from land conveyances which were reported back to Edinburgh by the Dunedin agents and approved by Board meetings, so it is possible that some conveyances may have occurred without being reported back to Edinburgh. Despite this, it appears that the intention was to report all conveyances, as even very small transactions such as a single acre for road building and sometimes transfers of less than a single acre were recorded in the minute books.

Maps of the properties were kept in Edinburgh, although there is no surviving evidence that these were periodically updated as sections were sold, or that maps of sales were sent back from New Zealand. Despite the increasing political pressure for land, the firm was mostly unsuccessful in offloading any significant proportion of its holdings to the private sector between about 1880 and 1900, managing to sell only a mean of 1,847 acres per annum, based on the figures in **Table 5.2**.

Few reliable financial records of the NZALC have survived from this period and it is difficult to assess the opportunity cost question of selling these land holdings against the potential profits of exploiting them. What is clear is that the NZALC would have faced a much longer period of land disposal had the government not intervened in the late 1890s and early 1900s, and even when the government first started making offers to buy the land back the valuations given were very disappointing compared to those for 1879. The government's first approach in 1898 for the better Canterbury estates priced Parerora at £8 15s per acre (although instructions were sent back to try to hold out for £9), and the Levels at a very disappointing £6 10s per acre, although this was the property most heavily demanded by private buyers.[450] The salutation was little more than half the value of £12 12s offered almost twenty years previously, and rejected instantly by the Edinburgh board, although five years later the board accepted £6 10s per acre from the government in the absence of a better offer.[451] There has been much debate between New Zealand historians over whether the 1880s and early 1890s were depression years, with revisionists arguing that the apparent depression was caused by falls in public spending.[452] What is striking is that, despite the new opportunities granted by the opening up of the protein export industry, agricultural land values did not rise in the 1880s, and may even have fallen.[453] Further, in the case of the NZALC it seems to have been difficult to obtain good prices despite direct action to improve land with fencing, the planting of grass and the system of cropping mentioned above, and although the company even built roads on its own account to make properties more accessible. The NZALC also had problems with the ability of its tenants and purchasers under the instalments scheme to pay their rent or interest, with the Edinburgh office becoming involved in disputes with purchasers who defaulted.[454]

Edendale, despite its dairy factory, was a focus for such difficulties with purchasers falling behind on payments from as early as 1884,[455] and in 1886 directly petitioning Edinburgh for a renegotiation of the terms under which they bought land. On his visit

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[450] NAS GD435/12 Minute of meeting, of NZALC Board of Directors 25th April 1899.
[451] NAS GD435/13 Minute of meeting, of NZALC Board of Directors 15th January 1903.
[452] Belich, *Paradise Reforged: A History of the New Zealanders from the 1880s to the Year 2000*, pp. 34-38, looks at this debate more generally.
[453] In 1879 an offer of £14 per acre for 70 acres on the Levels estate was accepted. In 1891 an offer as low as £1 10s per acre was accepted for 1,400 acres of land. Although the 1891 transaction is much larger, presumably allowing a large discount to be negotiated, assuming that the land sold was not of very poor quality, this is a quite remarkable fall in value. NAS GD435/12 Minute of meeting, of NZALC Board of Directors 21st October 1879 and NAS GD435/13 Minute of meeting,, 14th April 1891.
[454] Hay petitioned the company in 1886 for a reduction in interest on his holdings on The Levels from 6% pa to 4.5%. This was granted temporarily – clearly the NZALC were reluctant to allow such a big debtor to fail, although he later stopped paying interest altogether. In August 1886 the Edinburgh board resolved to give Hay the option of returning half his land to the NZALC as this would almost remove his debt to the company. GD435/12 Minutes of Meeting of NZALC Board of Directors 30th March, 22nd June and 17th August 1886. Hay later became prosperous again after being bailed out by his friends in 1890 (see footnote 430) and purchased more land in 1891 – see NAS GD435/12 10th March 1891.
[455] NAS GD435/11 Minute of meeting, of NZALC Board of Directors 27th May 1884.

that year Davidson met personally with all the land holders on that estate, although the board did not agree to reduce the terms on which land had been bought.[456] However, the fact that these purchasers were having difficulty in paying their interest does not necessarily suggest that there was a recession – instead, they may have paid beyond their means for the land, or have been inefficient users of it, despite the attempts by the NZALC mentioned above to ensure that the use of the land continued as when it was under company ownership, although it is unclear that there was any real incentive for the purchasers to keep to these contracts. What is clear for the NZALC is that significant values were realised, even if not at a long term profit, which were then reinvested in Australian land which could be obtained on very favourable terms even as late as 1905. It is also likely that being a company ultimately based at a distance, in Edinburgh, and not in Wellington or Dunedin, made dispassionate comparison between the two countries of operation easier as this decision could be based purely on the sale value of the land versus the long term potential of the new land, and made the exit decision from most of New Zealand easier for the NZALC despite that country having been its operational heartland.

5.5 Vertical Integration and Strategy in Australia

Across the Tasman Sea the operations of the NZALC took on a very different character. The company's role in Australia has been less well documented because it was not as influential in shaping the livestock industry there as it had been in New Zealand. Its holdings in Australia in 1879 were larger in aggregate than those in New Zealand, but they were concentrated into fewer estates in a much larger country, and so the company has not been as noticeable to historians of Australia as it has to their New Zealand

[456] NAS GD435/11 Minute of meeting, of NZALC Board of Directors 30th March 1886.

counterparts. Nonetheless, this lack of relative influence did not stop the company becoming commercially successful there, and if anything it may have been institutionally stronger in Australia than in New Zealand in the long run. Technology and livestock breeding remained important in Australia although the climate was not favourable to the plantation of English grass seed, and the company avoided becoming directly involved in the freezing or dairy industries. Instead, the emphasis was very much on overcoming the often harsh natural environment, where droughts could be frequent and where sources of water could be few.

As noted in **Section 5.3**, soon after taking control of NZALC, Davidson disposed of the less efficient leasehold estates such as Yawong Springs in Victoria, where competition for land with small-scale settlers had made farming continuous stretches of land difficult. Typically, the only freeholds available to the company were further from the coast and in areas of low land value, such as at Bundure in New South Wales which constituted 97,500 acres of freehold and 24,031 acres of leasehold in 1879, the freehold being valued at £1 12s 1d per acre.[457] Leaseholds which could be retained were also typically in areas that were undesirable to settlers (often known as 'selectors', because they selected land according to government legislation)[458] interested in livestock farming, such as the Till Till estate, also in New South Wales.

Till Till was in an area so infertile that the 330 acres of freehold held by the NZALC there were valued at only 17s 4d per acre in 1879; the estate was mostly composed of the 383,670 acres of leasehold held – in total this made the estate about the size of Hertfordshire in England.[459] Despite covering 600 square miles, the estate lacked any

[457] NAS GD435/611/2 Davidson, 'Private Report', p. 126.
[458] Roberts, *History of Australian Land Settlement, 1788-1920*, pp. 281-287., gives an overview of land selection laws in this period.
[459] Ibid., p. 91.

access to a permanent supply of fresh water and had an unpredictable climate, which had ruined squatters who previously attempted to farm the area. The main advantage of the estate was the salt bushes which grew over much of it, which could survive drought and whose leaves were nutritious to sheep.[460] A further benefit was that pine trees were available locally which could be divided into fence posts cheaply, reducing fencing costs to £40 per mile.[461] As with many of the Australian properties acquired later, the main way to source water was to bore deep wells. By 1878 Till Till included 8 wells sunk at a cost of £750 each, which did not include the boring of trial shafts required; finding sites had been a particular problem as water generally seemed to be found only in the northern part of the property.[462] Actually raising the water from the wells presented a further engineering problem – the wells were too remote from the railway to contemplate the use of steam power, so three horses were used to turn the mechanism with a driver working long shifts to keep the horses moving. The requirement for constant labour at the wells presented another problem – the water brought up from the wells was considered to contain too much magnesium for human consumption, and what little rainwater there was had to be captured in tanks specifically for the drivers – although these tanks were designed to hold a supply to last for two years.[463]

The boring of artesian wells was an important aspect of company policy in Australia, and really allowed the NZALC to reinforce its competitive advantage there. Water improvements were again carried out on Till Till in 1880 and 1883 under strictly approved expenditures. In 1880 expenditure was restricted to £5,000 following suggestions by the estate manager Mr Crombie that certain improvements be carried out. In 1883 expenditure was restricted to £1,000, suggesting that even the boring of a

[460] Ibid., p. 96.
[461] Ibid., p. 94.
[462] Ibid., pp. 95-96.
[463] Ibid., p. 96.

single well had to be referred to the top level of the company.[464] Despite Till Till's arid environment, rabbits were competing with the sheep for access to the salt bushes to the extent that complete disposal of the estate was considered by the Edinburgh board in 1882 following a report on the subject by Mr Crombie, as 100 miles of rabbit netting would otherwise have been required to control the pests.[465] Even at Bundure, a relatively more fertile location, water shortages were a difficulty – a sheep wash purchased there at a cost of £1000 in the early days of the NZALC was reported by Davidson to have lain idle for four years as there had not been enough water to use it.[466]

[464] NAS GD435/11 Minutes of Meetings of NZALC Board of Directors 12th October 1880 and 13th November 1883.
[465] NAS GD435/11 Minute of meeting, of NZALC Board of Directors 7th March 1882.
[466] NAS GD435/611/2 Davidson, 'Private Report', p. 112.

The freehold Wellshot estate in central Queensland, retrieved from sale in 1878, was also in a very arid location undesirable to selectors and could be added to frequently and cheaply. This run was gradually expanded over a number of years, with the company taking advantage of cheap real estate prices to secure freeholds when the government allowed it to. One example of this came in 1890 when the government sanctioned the purchase of 10,000 acres at just 10s per acre; later, in 1893, 300,000 acres were purchased at just 6s 8d per acre.[467] Under Queensland law, however, the government was able to 'resume' ownership of these lands for sub-division, despite the apparent lack of viability for smallholders there. At its greatest extent, around 1900, the run had expanded to an immense 1,178,480 acres, although this was pegged back by the government by 1914 to a still vast 800,000 acres, capable of carrying 400,000 sheep or lambs. Water was an especially troublesome issue on Wellshot, however, and some of the money saved by purchasing the land cheaply had to be reinvested in drilling wells – on one occasion drillers from the Canadian oil industry had to be brought in to drill to a depth of 3,700 feet.[468]

Despite the enthusiasm of the Edinburgh investors, drought remained a big problem for the company, and was one of the reasons that the Australian lands were so cheap to invest in. On average, a drought could be expected to affect at least one or two of the Australian runs every three or four years, and could even continue for a number of years – for example the years 1898-1902 represented an almost constant drought period coming after five years of good water supply. Shorter but still severe droughts were also experienced in 1878, 1882, 1884-5, 1893, 1906 and 1913, with competence gradually being developed so that the effects of these droughts could be withstood without affecting the financial performance of the NZALC.[469] This competence became more important as the company gradually withdrew itself from the less drought prone New Zealand operations, although as early as 1885 Davidson started to plan to avoid the effects of future water shortages. The 1885 drought had seen a loss for Wellshot of 212,621 sheep in total, costed at £23,221, and leading the Edinburgh directors to

467 NAS GD435/12 Minutes of Meetings of NZALC Board of Directors 5th August 1890, and 16th October 1890.
468 Davidson, *William Soltau Davidson, 1846 - 1924*, pp. 113-114.
469 Ibid., pp. 138-140.

suspend the dividend, even on 'A Preference' shares.[470] At this point a reserve fund was established by Davidson specifically to provide cash to pay costs and dividends when drought meant that losses had to be charged to account, although drought does not seem to have had such a visible effect on the volumes of wool sold.[471] More of an effort was put into improving water storage and transport although there was an implicit acceptance that some losses due to drought were inevitable.

Davidson's later strategy was to purchase more runs to increase the geographical spread of the NZALC's holdings. This aimed to create a chain of properties running northwards from central New South Wales to northern Queensland between which stock could be moved if drought struck in a particular area.[472] This strategy was begun with the Piallaway and Wallhallow runs being purchased for £232,000 in 1889 from the Assets Company, which despite retaining a large shareholding in NZALC did not itself have the same competences in operating farms.[473] The agents, Lascelles and Alfords, were heavily relied upon by Davidson to select possible land for purchase, particularly when extending runs. The investigation process for purchasing new runs in Australia was somewhat more rigorous - the 1897 purchase of Eddington run in Queensland saw Mr Hopkins, the manager of Wellshot, deputed to visit it as well as Mr Turnbull, the Queensland inspector, and George Drysdale, the director with special responsibility for Australia, even though the purchase price was a relatively low £26,000.[474] This suggests that the strategy of the NZALC towards land acquisition had become more cautious, requiring agreement at Head Office level, rather than the very scattergun approach taken at the time of the original company's formation in 1867. Further runs were added in the late 1890s and early 1900s, with the acquisition of the Leilavale,

[470] Ibid., p. 134. GD435/11 16th October 1885.
[471] Ibid., p. 114, pp. 134-135.
[472] Ibid., p. 160.
[473] GD435/12 Minute of meeting, of NZALC Board of Directors 2nd July 1889.
[474] GD435/12 Minutes of Meetings of NZALC Board of Directors 5th January and 2nd February 1897.

Goodunblui and Bangate runs in New South Wales before 1900 and the addition of Orandunbrie and Edgeroi estates in New South Wales, and Mount Cornish and Hardington runs in Queensland in the years immediately after 1900. After 1910 runs were also purchased in Western Australia, which even at that stage was somewhat under-developed.[475]

A policy of portfolio diversification away from sheep was followed to a certain extent in Australia, but not into cropping as in New Zealand as the Australian inland climate was not suited to arable crops. Land leasing and operating in the real estate industry was not on the agenda in Australia either, because (as noted above) the land was not at a premium in Australia when compared to New Zealand. The policy of stock improvement was continued in Australia as it was in New Zealand, with some specially bred stock being moved from New Zealand to Australia. Stock improvement through breeding was also sought in the cattle industry, particularly in cross breeding Angus cattle with breeds that had already been imported. The NZALC also increasingly entered the dairy farming industry in Australia although there was no attempt to enter downstream dairy manufacturing directly there.

[475] Davidson, *William Soltau Davidson, 1846 - 1924*, p. 149.

Table 5.3 Five yearly cattle and sheep numbers

Year	Sheep in New Zealand ('000s)	Sheep in Australia ('000s)	Total Sheep Carried ('000s)	Cattle in New Zealand	Cattle in Australia	Total Cattle Carried
1880	446	258	704	9,800	1,100	10,900
1885	412	282	694	6,600	600	7,200
1890	382	684	1,066	5,300	4,100	9,400
1895	384	668	1,052	4,700	4,900	9,600
1900	271	543	814	5,500	28,600	34,100
1905	175	812	987	2,000	28,200	30,200
1910	81	1,555	1,636	400	39,500	39,900
1914	60	1,575	1,635	500	100,400	100,900

Source: Davidson, *William Soltau Davidson, 1846 - 1924*, p. 133.

As is clear from **Table 5.3**, cattle numbers were increased from just over 1,000 to over 100,000 in the period from 1880 to 1914, and particularly rapidly after 1900, although the importance of this increase should not be overstated when compared with the absolute volumes of sheep kept in Australia, passing the one million mark by 1910. Cattle were kept on the same runs as sheep for most of the period, although presumably in the more fertile areas closer to water supplies – it is noted that 25,000 head of cattle were included in the Eddington purchase, for example.[476] After 1912 four runs were purchased specifically for the 100,000 plus cattle now on company books.[477] Before this the exact apportionment of the Australian properties between sheep and cattle was not discussed in detail at board level. Perhaps pragmatically, the exact allocation of animals to pasture was not something discussed by the board but was left to the management on specific runs to determine, although returns relating to numbers were compiled. There appears to have been no deliberate policy to enter the cattle industry recorded at board level, although Davidson does imply in his autobiography that he wanted to move in this direction. If the Net Proceeds column in **Appendix 6** is to be believed, however, Davidson's policy of focusing simply on pastoral activities in

[476] GD435/12 Minutes of Meetings of NZALC Board of Directors 2nd February 1897.
[477] Davidson, *William Soltau Davidson, 1846 - 1924*, p. 72.

Australia, and particularly on the export of wool from Australia, paid dividends in the longer run, particularly after 1900.

The NZALC also followed a policy of career employment in Australia as well as in New Zealand, and the practice of recruiting as cadets promising young Scots, many of whom were recommended to the company by their fathers, was continued.[478] This policy continued to reduce dependence on the employment of locals for the NZALC, which also moved some of its younger employees from New Zealand to Australia as the need for them in New Zealand decreased.[479] On some occasions Davidson even gave letters of recommendation to immigrants personally known to him, asking the Melbourne agents or station managers to help them find work in Australia even none was available on the NZALC's own estates.[480] Although the numbers of such recruits were relatively small, the NZALC still brought some Scottish commercial talent to Australia, some of which may well have dispersed into other sectors. From this perspective it is puzzling that Malcolm Prentis does not mention the NZALC at all, either as an engine of immigration or as an important Scottish organisation, in his *Scots in Australia* which looks at the individual cases of a selection of agricultural and commercial immigrants.[481]

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[478] NAS GD435/464, letter dated 29th June 1885 from Mr. Bonar, the company secretary in Edinburgh, to Messrs White Alford in Melbourne, introducing Mr. J. R. Faggs, the son of Mr. Faggs of the Inverauld Estate Office, Braemar. It is noted that Faggs was emigrating to Australia to improve his health and was already accustomed to working with sheep all his life, so was looking for a post on an NZALC sheep station.

[479] NAS GD435/464, letter dated 23rd August 1883, from W. S. Davidson to M. A. Hopkins, manager of Wellshot, requesting him to take on George Madson, who had been a cadet on the company's Clydevale estate in Southland. It was noted that Madson was very able and industrious, and it was thought by Davidson and the directors that his future development would be better served by a move to Australia.

[480] NAS GD435/464, letter dated 2nd September 1886 from W. S. Davidson to M. A. Hopkins, introducing a Mr. Randall who was moving to Australia but had no practical experience of farming. Davidson asked if Hopkins could help Randall find something else if nothing suitable were available on Wellshot.

[481] Prentis, *The Scots in Australia*.

5.7 Conclusion

In the longer run, the activities of the New Zealand and Australian Land Company became complex and varied before gradually settling back to the company's original purpose of operating livestock farms, although mostly in Australia in the years before 1914. In this process the company evolved in numerous ways - firstly by entering the real estate business in the 1880s, something which was never really considered in the Morton era. This was followed, although temporarily, by the vertical integration of production down the value chain when the company also became involved in manufacturing and even marketing in the UK to a limited extent. Vertical integration into freezing and the dairy industry was pursued initially as the market outside the firm was not yet able to provide these opportunities. Finally came the exit from vertical integration and a concentration again on the core competence of livestock farming as the secondary market in freezing and dairy processing expanded. High level managerial responsibility still remained concentrated in the Scottish Head Office (although now moved to Edinburgh) but with some important differences from the Morton period. Firstly Davidson operated entirely as an internalised employee of the NZALC – he did not see the NZALC as a vehicle of his own merchant house. Unlike Morton he did not have the incentive of holding a substantial percentage of NZALC shares, having only a tiny minority share of 0.80% in 1878 compared to Morton's combined personal and trust holdings of 50.4%.[482] Davidson's main incentive was his remuneration package, initially set at £2,000 a year but frequently increased.[483]

Arguably, this completed the NZALC's transition to a form of managerial capitalism, and with the Assets Company acting as a holding company with its shareholding

[482] GD453/610/2 – 'Distribution of Stock amongst the Proprietors at Date of Formation.'
[483] GD435/11 Minute of meeting, of NZALC Board of Directors 15th January 1878.

composed of the creditors of the City of Glasgow Bank after 1882, shareholding was now dispersed far more widely than previously. The Edinburgh office also operated with its own secretariat of clerks employed directly by the company who dealt with the flow of information coming back from Australasia. Smaller networks of clerks also existed in Melbourne and Dunedin – although in 1908 Davidson opened a new company office in Sydney to replace the Melbourne agents with a permanent Superintendent of Australian Estates on the staff.[484] Payroll functions for senior staff and accounting generally were carried out by these offices, which collated the accounts sent in by the station clerks, but everything was also referred to the Edinburgh office to be checked. The Head Office, and Davidson personally, also managed marketing in Britain of the company's exports from New Zealand, as well as working closely with wool dealers. Crucially, the decisions relating to how much wool or meat to ship back to Britain were taken by Davidson and approved by the board on a regular basis. Although shareholding links were formed with distribution firms like Nelson Brothers (of whom Davidson was a board member), and the wool dealers Williams and Overbury & Co. (who owned a 1% stake in the merged company), the company left marketing to them.[485] These firms performing distribution functions could then be considered a cluster which formed a trading system for the NZALC – however, it is clear that the NZALC was central to this trading system rather than simply being one small part of it, and there is no evidence to suggest any managerial overlap between these firms. A system of constantly renewed contracts between a cluster of firms helped to keep transaction costs down while each member of the cluster was able to concentrate on its strengths.

[484] Davidson, *William Soltau Davidson, 1846 - 1924*, p. 157.
[485] GD453/610/2 – 'Distribution of Stock amongst the Proprietors at Date of Formation.'

Davidson consolidated the structure that Morton had already put in place to manage the company, but as a personality he dominated the organisation as a whole, although Thomas Brydone in New Zealand and William Drysdale in Australia, among others, had an important role to play. What seems to make Davidson different is that he had a very 'hands-on' style of management – having gone through the cadet system with the C&O, he always remained interested in farming, and worked enthusiastically on farming problems like pest control and improving irrigation. Having a farming background rather than the usual accountancy or legal background meant that Davidson also did not believe that he could simply operate the company remotely from Edinburgh – although he spent most of his time in Edinburgh, on his visits to Australasia he inspected progress there on the various properties and on some occasions helped local management to put his policies directly into practice.

This farming background seems to have been what stopped Davidson from turning the NZALC into a company completely focused on real estate as someone whose background was in finance might have done – instead, the earnings from divestments were ploughed back into the farming side of the business. As we saw in **Table 5.3**, even as late as 1914 the NZALC still had 60,000 sheep in New Zealand – so eventually even there the focus was moved back to livestock farming. This is not to say that Davidson simplified the company's operations to the extent that value was not being added, however – breeding programmes were continued, to make the quality of the livestock as high as possible. At the same time, the Australian properties were used to gain the highest scale economies possible, necessary because more farmers were targeting the frozen export market as well as the wool market, thus cutting the expected margins, although obviously prices could be maintained at a higher level for livestock of better quality.

Overall, then, in the Davidson era control was extended from Edinburgh even further into the company's operations than had been the case before 1878. Although day to day decisions were not necessarily referred to Edinburgh for approval, large expenditures were still referred to Edinburgh, and control over the general strategic direction of the company remained there. The NZALC stopped short, however, of becoming a full M-form style organisation; the role of the Head Office never became a purely consulting one, and although the Australian and New Zealand branches were given more control over operations as the company grew, this control never really developed to the stage where the company superintendents could make policy changing decisions without ultimate approval from the board.

For certain, the increasing level of political independence from the UK of Australia and New Zealand appears to have made little difference to this situation either – in fact the board minutes still refer to 'the colonies' even after Australian federation in 1901 – and the possibility of moving management, or even the company registration, from Scotland was never considered.[486] It remained useful to the company to have its base in Britain, which continued to be the most important export market for its products and the main source of capital, until the eventual sale of NZALC to the Australian company Dalgety Ltd. in 1968. What is more curious is that no consideration was given to the idea of moving this base to London, given the closer physical links with the wool, dairy and meat brokers that would have been possible in doing so. The NZALC then remained a Scottish Free-Standing Company because its Head Office remaining in Scotland appears to have been culturally and managerially significant to the firm even after the host economies had began to mature. It was essentially the Scottish element that kept together what would otherwise have been a disparate set of agricultural properties –

[486] For instance at a board meeting on 15th January 1903 Davidson was given a Power of Attorney for his visit to the colonies: NAS GD435/13.

with a Head Office in Australasia; it is unclear that there would have been any advantage in managing these farms as a group.

Chapter 6 - Ownership and Control – Free-Standing Companies in the United States

This chapter will examine the Arizona Copper Company and the California Redwood Company to analyse how they operated as organisations and how far they created managerial systems suitable to operate across the Atlantic.

6.1 The general experience of Scottish Free-Standing Companies in the United States

This chapter will follow on from **Chapters 4 and 5** by examining the extent to which Scottish management had a genuine influence upon the success or failure of Scottish Free-Standing companies in the US. This will again involve the examination of the structures used by such companies and will include a detailed examination of two particular ‘case study’ companies, again looking at the issues of governance and how they split into separate firms. This will also be contrasted with some of the secondary evidence relating to other Scottish owned and some English owned FSCs in the US and their relative performance. The chapter will end with some conclusions about the relative performance of Scottish FSCs in the US and the underlying reasons; in particular, looking at why Scottish firms appear to have been less successful in the US than in British Empire countries.

In **Chapter 3** we saw that New Zealand attracted the largest Scottish FSC in terms of paid capital in the 1862-1885 period (the New Zealand and Australian Land Company) but the US was the most popular host country for Scottish FSCs, with as many as 43 companies being formed to invest there in those years. This number included 15 companies seeking to take advantage of the ranching boom on the then South-Western frontier, 11 generally interested in some form of land speculation and 10 with interests in mining, usually for metals such as gold, silver or copper. We also know that the US attracted interest from FSCs outside Scotland; in fact, Scottish registered FSCs were only a minority in this specific field. As Clark C. Spence notes in his classic study, some 518 UK based joint stock companies[487] were formed to invest in US mining between 1860 and 1901 in the area that he roughly defines as 'the West' alone.[488] Further, at least 101 of these (and probably more) were reconstructions of previous failed concerns and at least 143 companies did not start actual mining work.[489] The Scottish element here, (21 companies) may appear insignificant but, as with the NZALC in the previous chapter, the actual size of venture was important.[490] The Arizona Copper Company (ACC), established in Edinburgh in 1882, had the second largest nominal capital (£875,000) of any of the companies named by Spence, to the date of its establishment.

By the time of its reconstruction in 1884 the ACC had a paid capital (including vendor's shares) of just under £700,000. The largest FSC named by Spence, with £1,000,000, was the high-profile London based Emma Silver Mining Company established in late 1871 to operate in Utah. This company was promoted in Great Britain with much fanfare through the media, its promotion gaining the attention of 'City Intelligence' column in *The Times* newspaper on 10th November 1871, alongside a meeting of the Court of the Bank of England and a discussion of Spain's financial position.[491] In a period when politicians held great public respect, the company recruited three MPs and the heir to a peerage on its board, as well as the US minister to the United Kingdom.[492] However this high profile start soon turned into a high profile disaster: the Emma Company slowly stagnated throughout the 1870s due to a combination of mine

[487] Spence, *British Investments and the American Mining Frontier, 1860-1901*, pp. 241-260.
[488] This appears to be a somewhat vague concept including 'all those regions linked directly to the Rocky Mountains and in addition Nevada and Dakota on the fringe.' Despite this, the Pacific Coast itself was not included.
[489] Spence, *British Investments and the American Mining Frontier, 1860-1901*, pp. 217-218.
[490] Ibid., pp. 241-260.
[491] *The Times*, 10th November 1871, p. 7.
[492] Spence, *British Investments and the American Mining Frontier, 1860-1901*, pp. 146-147.

collapses and poor management. Most of the shareholder's capital was lost, while pamphleteers made use of the opportunity for satire afforded to them.[493] Most of the entrepreneurial impetus for the Emma project originated with London and US based promoters, but according to Spence, around half the shares offered to the public were purchased by Scottish based investors.[494] Therefore the Emma Company was to some level a Scottish concern in terms of ownership but not control; further, this bad experience appears not to have dampened the enthusiasm of Scottish investors for the US or mining investment, but encouraged them to bring the entrepreneurial impetus to Edinburgh.

The ACC will form one of the two case studies for this chapter as it is a rare case of a mining FSC that overcame the initial challenge of organisation and became profitable in the long term. One of the big problems faced by many mining FSCs was the need for minerals brought to the surface to be extracted from the original ores which were valueless. This chemical problem was often neglected by the management of such concerns (and, naturally, promoters did not mention it to prospective shareholders) but the ACC was successfully able to integrate downstream, and further increased its prospects of success by investing from the start in the necessary transport links to the mainline railway system.

The other case study for this chapter will be the Edinburgh-based California Redwood Company (CRC). This was a short lived FSC which was formed to take control of several large tracts of redwood forest on the Californian coast north of San Francisco. **Chapter 3** showed that Scotland was home to six logging, one sawmill operating and

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[493] For instance Spence reproduces an anonymous satirical pamphlet published in 1872 entitled *A New Nursery Ballad, embellished with finely-engraved Portraits of some of the most Emmanent* [*sic*] *Men of the Day*, price to English subscribers. £1,000,000. Ibid., pp. 183-190.
[494] Ibid., pp. 164-165.

two timber tract owning FSCs. Of these, four were in the US, two were in Canada and one aimed to operate on both sides of the US/Canadian border.[495] A further venture in the timber tracts category invested in timber in Norway, and the West Pacific Company, also mentioned in **Chapter 3,** attempted to operate a sawmill in Japan.[496] This company has been put into the logging Specific Industrial Classification as it intended to carry out all three stages of the process, rather than being either simply an investor in forestry property or soley a manufacturer. Little attention has previously been given to the importance of FSCs in the lumber industry, even though the ownership of timber tracts in particular would suit an FSC interested in a 'hands-off' management style. The CRC intended to integrate downstream into sawmills, railways and even shipping, which would have posed a vast management challenge to any start up company - let alone one based 6,000 miles from the site of operation. This case study will propose that this company was a typical FSC failure in that it failed by taking on a non-viable business to begin with. This would be counter to Jackson's proposition that this company's failure was a result of falling foul of land laws after the company's San Francisco managing agents were found guilty of participating in a land grabbing swindle.[497] This proposition was later picked up by Wilkins in her standard history of foreign investment in the US but is not the complete reason for the company's failure: it was later restructured as the Edinburgh and San Francisco Redwood Company to take

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[495] The US hosted companies were The California Redwood Company Limited (registration file NAS BT2/1261), The Scottish Carolina Timber and Land Company Limited (NAS BT2/1325), the Humboldt Redwood Company Limited (NAS BT2/1477) and The Edinburgh and San Francisco Redwood Company Limited (NAS BT2/1495). The Canadian hosted companies were the Quebec Timber Company Limited (NAS BT2/1066) and the American Lumber Company Ltd (NAS BT2/1117). The company that planned to operate on both sides of the US/Canada border was the British Canadian Lumbering and Timber Company Ltd. (NAS BT2/985) – this company was registered in 1882 but by April 1884 it was found that the company could not continue due to its liabilities.

[496] The single Norwegian hosted company was the Vaagsaeter Estate Company Limited (NAS BT2/798), and the West Pacific Company's registration file number was BT2/129.

[497] Jackson, *The Enterprising Scot: Investors in the American West after 1873*, pp. 224-228.

over some of the original assets before declining, with the final decision to wind up being taken in 1902.[498]

Finally, this chapter will assess the suitability of the US as a location for Scottish FSCs. Although the US attracted many Scottish emigrants, they do not appear to have come in numbers to the areas of the US in which Scottish FSCs were common.[499] This contrasts, for example, with the significant numbers that we see in southern New Zealand and some parts of Australia where Scottish pastoral companies operated. Scottish FSCs frequently relied on people with a different institutional background to themselves to act as their managing agents in the US, usually with an American background. It was also often the case that prospective American managing agents or vendors would pitch their ideas to prospective FSC boards in Scotland, meaning that the initial entrepreneurial venture originated in the US. This chapter will draw some conclusions about whether managerial power in these firms remained in Scotland or was transferred to the US, and whether this managerial power relationship was beneficial for FSC success.

6.2 Previous Firms and Other Links

As with Australia and New Zealand, Scottish firms had been linked to the US before the 1880s, although the early 1880s saw a huge increase in interest in investment opportunities there. Investors had also been interested in the US through other channels of investment such as (US registered) railroads since at least the 1850s[500] and through

[498] Wilkins, *The History of Foreign Investment in the United States to 1914*, p. 234.
[499] Certainly Aspinwall, "The Scots in the United States.", would seem to suggest that Scottish immigrants preferred the East Coast.
[500] See R. E. Tyson, "Scottish Investment in American Railways: The Case of the City of Glasgow Bank, 1856-1881," in *Studies in Scottish Business History*, ed. P. L Payne (London: 1967)., which studies the City of Glasgow Bank's involvement in the Western Union Railroad from the 1850s onward.

the investment trust movement from the early 1870s.[501] Therefore it might be expected that interest in forming FSCs would follow, making the US the main host country for Scottish Free-Standing Company promotion by 1885. As noted in **Chapter 3** as early as 1837 investment companies, such as the Illinois Investment Company, started to appear with interests in the US Mid-west although their exact field of interest is unclear. W. T. Jackson suggests that one such firm, the Galena Investment Company, was formed as a lead mining venture, indicating that there may have been some direct investment carried out by these companies[502] – alternatively, they may simply have been involved in lending to US entrepreneurs.

The earliest Scottish FSC to enter the US was the Glasgow Port Washington Iron and Coal Company Ltd., which was formed by Glasgow investors in 1872 to mine and smelt iron in Ohio. This company had a nominal capital of £250,000 and lasted until 1881, but would appear to have been a highly speculative venture as members of the same syndicate were also involved in the Tuscan Gas company, in Italy, which was clearly an un-related business.[503] Formed in the same year, also by a Glasgow syndicate, was the Utah Cottonwood Mining and Smelting Company Limited, set up to purchase a copper mine in Utah, although this firm only lasted for around a year.[504] Scottish investors appear not to have got involved in the mining investment boom of this period and remained mostly disinterested in the US, with only four further US hosted FSC promotions, two in mining and two in land until the end of the 1870s.[505]

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[501] The classic studies of this are, of course, Gilbert, *A History of Investment Trusts in Dundee 1873 - 1938*.and Glasgow, *The Scottish Investment Trust Companies*.
[502] Jackson, *The Enterprising Scot: Investors in the American West after 1873*, p. 8.
[503] NAS BT2/399 Glasgow Port Washington Iron and Coal Company (Limited) registration file.
[504] NAS BT2/443 Utah Cottonwood Mining and Smelting Company Limited registration file.
[505] The two mining companies were the Kirkland Gold and Silver Mining Co California Limited (NAS BT2/638) and the Atichison Mining Co Limited (NAS BT2/639). The two land companies were the Glasgow Californian Land Company Limited (NAS BT2/639) and the Dundee Land Investment Company Limited (NAS BT2/844).

Notable among these four promotions was the Glasgow Californian Land Company, formed in 1877, which pursued an ambitious land reclamation project in the San Joachim Delta near Stockton, California. This was an attempt to drain Roberts Island, one of many low lying marshy islands in the delta region, through a system of dykes and levees and absorbed around £355,000 worth of capital by 1881. The Glasgow Company initially met with relative success as the island was successfully drained and leased to settlers by the early 1880s with agricultural activity being expanded, only for one of the key levees to burst in March 1884, flooding the island. Although the break was closed and the flooding had actually improved the quality of the agricultural land, the company was left with high liabilities and resolved to wind up in early 1886.[506] The other land company to be promoted was the better known Dundee Land and Investment Company of 1878.[507] Despite the name, this company purchased property around the western US, and was a venture of the Dundee based syndicate of the investment trust pioneer Robert Fleming, the Earl of Airlie, and the newspaper proprietor John Leng. This company was not unsuccessful but chose to exit direct land ownership in 1882 to concentrate on trust holdings and was reconstituted as the Dundee Investment Company which later became part of the well known Alliance Trust.[508]

The Dundee Land and Investment Company also foreshadowed one of the most important movements of Scottish FSCs into the US (which **Chapter 7** will examine in more detail), when it added powers to keep sheep and cattle to its Act of Association in 1880. This was also the year of the registration of the Prairie Cattle Company, the first of 15 cattle firms to be registered in Edinburgh which raised a combined total of £3 million over the 5 years of speculation until 1885. Despite the notable record of Scottish FSCs elsewhere in pastoral investment (see **Chapters 4 and 5**), these

[506] Jackson, *The Enterprising Scot: Investors in the American West after 1873*, pp. 214-216.
[507] BT2/844 Dundee Land Investment Company Ltd. registration file.
[508] Gilbert, *A History of Investment Trusts in Dundee 1873 - 1938*, p. 35.

companies were not successful in the long term and most were wound up or sold their land to local farmers by 1910. It is worth noting that many of these firms were successfully established and as many as 13 out of 15 firms appear to have successfully carried out the purchase of a ranch and started farming, though not always with great success. This compares favourably with Scottish mining FSCs in the US where perhaps 5 out of 10 companies registered before 1886 started operating.[509] A key phenomenon in the ranching industry was the US based promoting agent, – of these the most important was Frank L. Underwood of Kansas City through his agency practice of Underwood, Clark and Company. Underwood made a trip to Scotland in 1880-1 during which he first successfully promoted the Prairie Cattle Company to J. Duncan Smith, the manager of the Scottish-American Mortgage Company, before travelling on to Dundee. There he convinced enough members of that city's relatively small capitalist class of the merits of investing in ranching to help start the Texas Land and Cattle Company, one of the less successful cattle ventures.[510] By 1882 these moves encouraged those left out of the Texas scheme in Dundee (including Robert Fleming) to establish two further ranching FSCs, and eight others were established in Edinburgh.

Underwood seems to have managed to exploit very well the relative isolation of these two separate parts of the Scottish capital markets, and it is curious that he did not also target Glasgow, which was by far the larger of the Scottish stock exchanges. It is only possible to speculate that this may be because of the recent difficulties in that city following the collapse of the City of Glasgow Bank, or possibly that investors were suspicious of FSC type investments in Glasgow because of the implication of the New Zealand and Australian Land Company in the bank collapse. A further possibility may be that Underwood was interested in a quick return from any company successfully

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[509] This is based on the NAS BT2 collection of registration files looking at companies that existed for more than two years without a voluntary winding up resolution.
[510] Jackson, *The Enterprising Scot: Investors in the American West after 1873*, pp. 76-77.

promoted with no interest in its long term management. He may have been aware of the relative success of the NZALC and thus that Glasgow based investors would be comparatively well educated in running overseas pastoral businesses. This seems likely in the light of his rapid disagreement with the Scottish boards of the Prairie and Texas companies as well as their subsequent poor performance.[511] What is certain is that Underwood's visit to Edinburgh and Dundee helped to fuel the ranching mania, and interest in other FSC promotions of the early 1880s on the east coast, barely involving Glasgow despite that city's closer trading connections with the US. And so it is that Edinburgh was home to both the case study FSCs discussed in this chapter.

[511] Ibid., pp. 87-89. The Prairie's directors cancelled their management contract with Underwood by 1883 as they felt his share of the profits too high, while the board of the Texas Company found that Underwood was forcing them to pay a 12.5% dividend due to his entitlement to half of all dividends over 10%.

Table 6.1 California Redwood Company and Arizona Copper Company Directors

California Redwood Company	Arizona Copper Company 1882	Arizona Copper Company 1884
Sir George Warrender Bt. (Chair)	John Guthrie Smith (Chair, Sherrif, Aberdeen)	George Auldjo Jamieson
Edward L. I. Blyth C.E.	George Auldjo Jamieson (Chair)	Sir George Warrender Bt.
R. Bruce Johnston W.S.	William Lowson (manufacturer, Dundee)	Colin James MacKenzie (solicitor)
Thomas Nelson (Publisher)	Thomas Jarron Gordon W. S.	John Wilson (Merchant, Edinburgh)
Patrick Stirling (of Kippendavie)	Michell Thomson (Timber Merchant)	
William John Menzies W.S.	James Duncan Smith (managing director, Scottish American Mortgage co))	
David Evans (Merchant, Eureka, California)		
James D. Walker (Merchant, San Francisco)		

a) From the California Redwood Company Limited Registration File, NAS BT2/1261.
b) From the Arizona Copper Company Limited Registration File, NAS BT2/1144.
c) From the Arizona Copper Company Limited Registration File (second registration), NAS BT2/1375.

6.3 Structure and Organisation: The Arizona Copper Company

Underwood did not confine his promotional activities to ranching. He also had an early role in the Arizona Copper Company scheme which he promoted to the same Edinburgh syndicate to whom he promoted the Prairie Cattle Company. The members of this syndicate were also directors of the Scottish-American Mortgage Company.[512] The solicitor and Scottish-American Mortgage Company Managing Director J. Duncan Smith sat on the board of the new company alongside Edinburgh merchants William Lowson and Mitchell Thomson, Writer to the Signet,[513] Thomas Jarron Gordon, the chairman of the Prairie Company, John Guthrie Smith (also of the London based Maxwell Cattle Company), and the Chairman was George Auldjo Jamieson. Jamieson

[512] Ibid., pp. 17-18. Jackson notes that Duncan Smith and Lowson were both founding directors of Scottish-American in 1876. Gordon had signed the Memorandum of Association as a subscriber originally while Guthrie Smith was Chairman.
[513] The Writers to the Signet are an independent society of Scottish solicitors who have the authority to pursue cases in the Court of Session and who use the professional title 'Writer to the Signet' or W.S. Although this title does not designate any special powers to solicitors holding it, it did tend to be used by solicitors to emphasise their authority, hence its inclusion here.

was a Chartered Accountant whose most important previous role was that of liquidator of the City of Glasgow Bank and who would thus have had some involvement with the affairs of the NZALC Company. Until 1885, the ACC also shared its Edinburgh premises at 62 Frederick Street in the New Town with the Prairie Company.[514] **Table 6.1** above shows the directors of the California Redwood Company and those of both incarnations of the Arizona Copper Company.

Underwood was promoting the ACC scheme in Edinburgh on behalf of Julius Freudenthal and Charles and Henry Lesinsky who were interested in selling the copper claims they owned in Clifton, Arizona, under the name of the Longfellow Copper Company. The Lesinskys had themselves purchased the property from brothers James and Robert Metcalf, its original discoverers, for a total of $30,000 between 1872 and 1874.[515] Previous writers appear to have made errors with the price at which the Lesinsky brothers sold the mine to the ACC. W. T. Jackson and Hyde both insist it was $1.2 million[516] while the actual sale contract appended to the registration file[517] gives a figure of £583,000, at 1882 prices, which converts to $2.8m.[518] Either way, the Lesinskys made a substantial profit on selling underground assets whose real value was difficult to determine, and which still required a large capital investment to make them workable. The Longfellow Company had invested $75,000 in building an internal narrow gauge railway to provide site access, and an indeterminate amount in building

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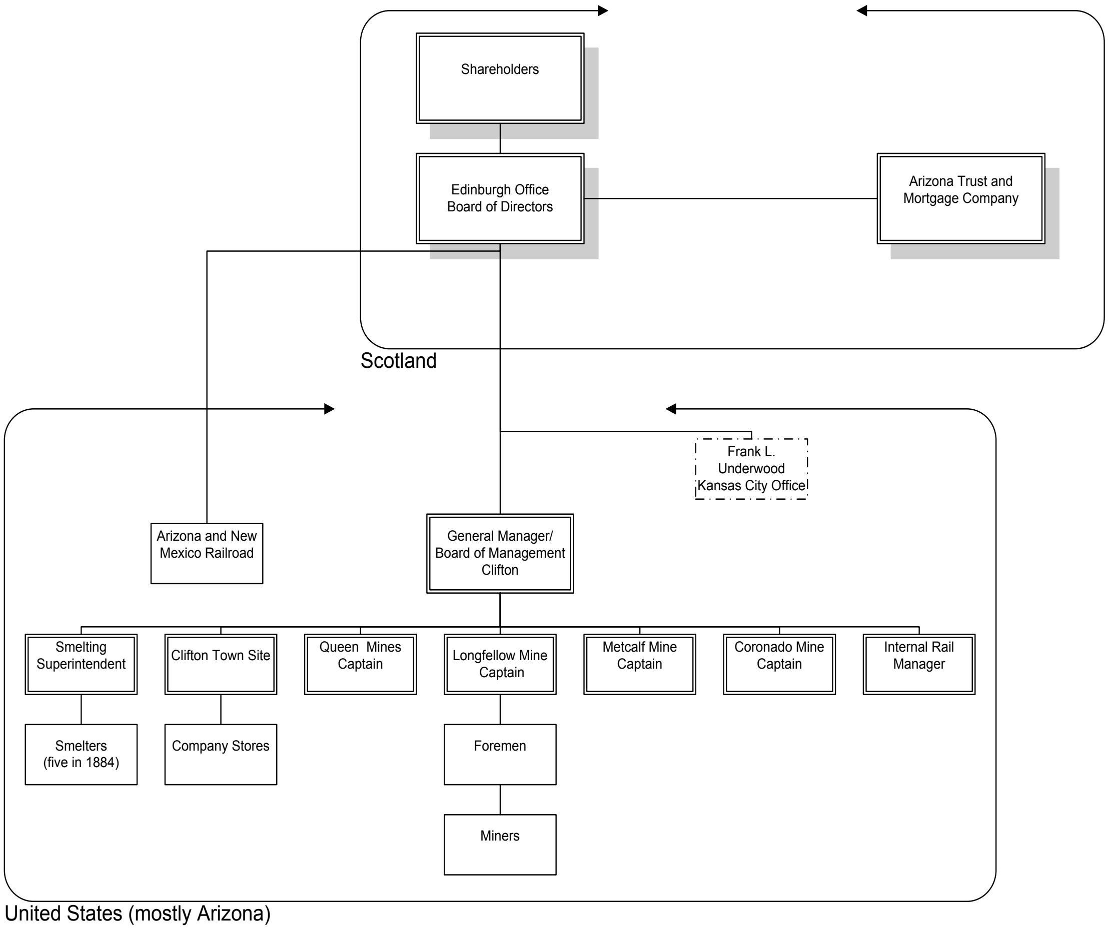
[514] NAS BT2/1003 The Prairie Cattle Company Ltd. and BT2/1144 The Arizona Copper Company Ltd. registration files.
[515] Hyde, *Copper for America: The United States Copper Industry from Colonial Times to the 1990s*, p. 114.
[516] Ibid., p. 117., Jackson, *The Enterprising Scot: Investors in the American West after 1873*, p. 166. Its not entirely clear where these accounts sourced this figure.
[517] NAS BT2/1144 The Arizona Copper Company Ltd. registration file.
[518] Lawrence H. Officer and Samuel H. Williamson, *Computing 'Real Value' over Time with a Conversion between U.K. Pounds and U.S. Dollars, 1830 - 2006* (2007 [cited 13th December 2007]); available from http://www.measuringworth.com/exchange/.

smelters which were largely ineffective.[519] The ACC acquired the Longfellow site at a premium, with much improvement, including mainline rail access, still required to make it workable in profitable volumes.

The Clifton mine site was relatively large although it could be considered a single site concern as all of the mines owned by the company were within a few miles of each other. **Figure 6.1** illustrates the company structure as it would have existed around 1884.

[519] Hyde, *Copper for America: The United States Copper Industry from Colonial Times to the 1990s*, p. 115.

Figure 6.1 The Arizona Copper Company Structure, c. 1884



Source: This has been extrapolated from an examination of a collection of documents on this company held at NAS in GD282/13; of particular use in doing this has been the report of Mr Robertson's visit to the mines – see NAS GD282/13/154. Both Jackson and Kerr note that J. Duncan Smith was listed as Managing Director of the ACC, a post which he also occupied with the Scottish American Mortgage Company. If this is so, then he can not have been very active in this position at the ACC, as his name very rarely appears in the documents left behind by the company.[520]

The short geographical distance from the company's US base at Clifton, which was in effect the ACC company town, allowed management in the US to be concentrated in the hands of one general manager there. There was no manager with authority at board level based in Scotland. The only elements of the Arizona Copper Company to be based in Scotland were the board and company headquarters and the Arizona Trust and Mortgage Company Ltd., which was formed during the reconstruction of 1884 to aid in refinancing the ACC, which is referred to further below. This meant that, although the board retained some executive authority, its role within the company was a passive one,

[520] Kerr, *Scottish Capital on the American Credit Frontier*, p. 61. Jackson, *The Enterprising Scot: Investors in the American West after 1873*, p. 166.

and more managerial control over specific decisions remained firmly in Arizona. Below the level of general manager, several business units were inherited from the Longfellow Company – including four mine sites, a town site and five company stores, smelting facilities and the internal tramways.

By necessity the ACC also integrated forward into transport, constructing the Arizona and New Mexico Railway. This 71 mile long railway built by the ACC from Clifton to connect with the Southern Pacific's El Paso – Tucson section of the transcontinental route at Lordsburg in New Mexico appears to have been managed as a separate unit with a local incorporation. The railroad was fully financed by the ACC at a cost of £300,000, and its management were theoretically responsible to the Edinburgh Head Office.[521] A failed attempt was made at the time of acquisition from the Lesinskys to make the complex even larger by purchasing the mines of the neighbouring Detroit Copper Company, itself a US internal proto-FSC owned by Detroit capitalists.[522] Further revenue both for the ACC itself and for the railway was secured by carrying the copper mined by the Detroit Company via the internal tramways and then the railway.[523] The mining claims of the Detroit Company were conveniently situated between those of the ACC, although this meant that further investment in the ACC tramways and the main railway was necessary.

The lack of an Edinburgh based manager clearly meant that overarching authority was vested in whoever was placed in charge at the Clifton site. Initially an American, Mr Wendt, was the General Manager for the whole site with over-reaching authority –

[521] NAS GD282/13/155, Memorandum by the Chairman of the Arizona Copper Company January 1884.
[522] Jackson, *The Enterprising Scot: Investors in the American West after 1873*, p. 166. This was a proto-FSC in the sense that it was a company with a remote Head Office within the US, in a similar way to a free-standing company.
[523] NAS GD282/13/155, Report by J. A. Robertson, C.A., Edinburgh to the Directors of the Arizona Copper Company Ltd., p.6.

Wendt was inherited from the Longfellow Company and fell out with the Edinburgh board fairly quickly, being fired by early 1884.[524] Wendt had apparently been given the post because of his expertise in mining - this was not popular with the Edinburgh board as they felt he did not have the expertise to cut costs as they would like. Further, the board relied on sending non-executive representatives to Arizona to check on what was actually happening there as they did not succeed in establishing a relationship of trust with Wendt. This seems to have been founded on the belief that because the ACC was not sending back quick returns Wendt must somehow have been shirking, rather than overseeing the profitable development of the mines. Although it is difficult to establish whether or not Wendt was a hugely effective manager the board's treatment of him does seem to have been especially harsh.

One complaint made in early 1884 by Jamieson, by this point Chairman after the resignation of J. Duncan Smith, was that Wendt was sending to Edinburgh negative telegrams regarding the ACC's performance, particularly with regard to the expense of working the smelters.[525] Wendt also reported that he was trying to win smelting business from other mine owners in the area, presumably because the smelting works represented massive sunk costs of around £60,000 for the company and could not be fully utilized at all times.[526] Chairman Jamieson's response to this betrayed his lack of expertise in this area and his possible prejudice against Wendt – he claimed that by doing this Wendt was implicitly suggesting that the mines were not as copper rich as previously claimed. Jamieson had failed to realise that relying upon the ACC's output

[524] Ibid., p. 4. Wendt's first name remains elusive as it is not mentioned in any of the sources which refer to him, although he may be the Arthur F. Wendt who, according to Hyde, visited the property in December 1879 on behalf of a "Firm in Baltimore to whom the Owners of the Longfellow Mines had applied for Advances, Hyde, *Copper for America: The United States Copper Industry from Colonial Times to the 1990s*, pp. 116-117. Neither Hyde nor Jackson, the two main previous writers on the subject of the ACC, mention Wendt's role as General Manager for the ACC at Clifton. According to Hyde, Arthur F. Wendt was a mining engineer and metallurgist.
[525] NAS GD282/13/155, Memorandum by the Chairman of the Arizona Copper Company January 1884.
[526] Ibid.

of copper ore to utilize the smelters was a potential source of inefficiency, particularly as not all the ACC's mines were constantly fully productive and that it would take even more capital to make them so.[527] Jamieson also accused Wendt of extravagance, claiming that he was operating as an engineer rather than a manager, making expensive but needless alterations to the smelting machines and related machinery.[528]

This naivety about the mining and more generally the copper, industry appears to have been characteristic of the Edinburgh board in general. The first emissary sent to inspect the works in Arizona, J. A. Robertson, wrote of his disappointment at not seeing much evidence of copper deposits at the mines – although he recognised that he would not see a 'mountain of copper', he complained that the works Wendt showed him did not show much sign of containing rich ore and particularly that the ores of 'immediate value' had been stripped away.[529] This was despite the fact that Robertson was supposedly encouraged by Wendt to speak to the mining captains and foremen in charge of the individual works about them, though perhaps he did not know what questions to ask. While it is not necessarily the case that these men would have the highest levels of expertise themselves, they probably knew more than Robertson.

It is unlikely that a solicitor without any geological training would know what to look for in this regard – and he could scarcely be considered an authority on the subject – but because the board and shareholders knew Robertson they seem to have believed him as an expert, against the word of Mr Wendt. This would seem to suggest that the board

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[527] While vertical integration can reduce transaction costs and hold up problems by internalising these transactions, a severe disadvantage of it can be that it increases the challenge of management, particularly if a firm does not possess expertise in the business into which it is vertically integrating. Therefore another manager with suitable expertise often has to be hired to introduce this expertise – but creating new moral hazard and potential hold up problems if their contract is not adjusted correctly. See P. Milgrom and J. Roberts, *Economics, Organization and Management* (Englewood Cliffs, NJ: 1992), p. 159.

[528] NAS GD282/13/154, Report by J. A. Robertson, C. A., Edinburgh to the Directors of the Arizona Copper Company Ltd., p. 4.

[529] Ibid, p. 6.

generally mistook financial acumen for commercial acumen. In any event Mr Wendt appears to have used the funds sent to the US to try to develop the mines as far as possible, including expanding the internal tramway system the full seven miles to the most distant mining site.[530] This he did despite suffering setbacks outside of his control, such as a serious mine collapse in the main Longfellow shaft not long after the change of ownership in 1882.[531] This represented a major blow to the directors' hopes of making quick profits out of the ACC as it meant much of the engineering work in establishing the shaft, which had previously been the most productive of the four main sites, had to be redone and to a higher standard. Worse still, this collapse had affected the company just as the tramway and rail connection were completed, meaning that these expensive assets were being under-utilized and cash flow was impaired while the Longfellow mine was brought back on stream.[532] Meanwhile, productivity at the other three mining sites remained extremely low and it is unclear how far these were actually being operated – the Queen site had produced only 1,000 tonnes of ore since opening, while the Longfellow before the collapse had produced about 50,000 tonnes.[533] In addition the ACC had paid for a total of 66 claims, many of which were presumably added to the prospectus to make the company look attractive to investors; although in reality these claims were too small to operate efficiently.[534]

Once the directors had fired Wendt, they replaced him with a board of management made up of the lower level mining captains and railway and smelting superintendents. According to Robertson, this group were more competent than Wendt, although his

[530] NAS GD282/13/158, Arizona Copper Company Ltd., Copy Minutes and Excerpts – description of company properties, p. 24.
[531] Ibid., p. 1.
[532] Ibid., p. 1, and Report by J. A. Robertson, C. A., to the Directors, p. 2.
[533] Copy Minutes and Excerpts, p. 1 and p. 25.
[534] Ibid., p.1.

reasoning for this seemed unclear – possibly it was down to their specialism.[535] By removing a layer of management there was the potential to reduce agency problems on the Clifton site itself, as the new committee members were much closer to the parts of the process that they were managing than Wendt had been. However, Robertson does remark particularly on the skill and expertise of the smelting superintendent, a Mr James Colquhoun, who seems to have been the only Scotsman on site.[536] It is interesting to note that after eight years of committee management Colquhoun was promoted to the role of General Manager in 1892, just as the ACC entered its most successful period in the 1890s and 1900s.[537] It seems likely that Colquhoun was more trusted by the board because of his ethnic background than Wendt, although by this stage the company was more financially secure and had no need for a scapegoat for its problems. It also suggests that the committee structure had made communication more difficult as there was now no single person to co-ordinate communication to and from Edinburgh on the Clifton side.

In 1884, in addition to getting rid of Wendt, the directors took a novel approach to the approaching insolvency of the ACC. Instead of winding up the company, as might have been expected in many smaller failed FSCs, they re-structured by registering a new company in Edinburgh and transferring the name and shareholding to it for equal value.[538] Then a separate Edinburgh registered trust company, the Arizona Trust and Mortgage Company, was formed to raise new capital through ordinary and debenture stock, initially mortgaging £250,000 to the ACC to make the investments necessary to

[535] NAS GD282/13/155, Report by J. A. Robertson, C. A., Edinburgh to the Directors of the Arizona Copper Company Ltd., p. 4 and p. 8.
[536] Ibid., p. 6.
[537] Hyde, *Copper for America: The United States Copper Industry from Colonial Times to the 1990s*, p. 130.
[538] See the registration documents NAS BT2/1144 for the 1882-1884 company and BT2/1375 for the 1884-1921 company. BT2/1144 contains documents giving permission to transfer the name and shareholding.

start production on a large scale.[539] This agreement was modified over the years but appears to have represented a successful use of the limited liability laws to isolate debt holdings in order to make the ACC profitable. Clearly, with the ACC in deep financial difficulty, it would not have been attractive to any existing bank or even to a Scottish owned mortgage or trust company, so the best solution open to the ACC was to integrate vertically into providing its own finance – something that the directors were experienced in. Thus in the longer run the directors were able to make the ACC function as a company working in tandem with Colquhoun in Clifton, despite the firm's earlier difficulties.

6.4 Structure and Organisation: The California Redwood Company

Contemporary with the experience of the ACC was that of the California Redwood Company Ltd. This company was registered in July 1883 with a nominal capital of £900,000, making it the fourth largest FSC project undertaken in Scotland before 1886.[540] The project was extremely ambitious from the start, the aim being to purchase 159,000 acres of Redwood forest in two separate locations north of San Francisco together with coastal sawmills and shipping capacity.[541] It was believed that a huge export market in wood for furniture could be opened up to Europe and Australia, as well as via the transcontinental railroad to the Eastern United States. The rationale behind this appears quite simply to have been the supposition that California Redwoods were the largest trees in the world and therefore ought to yield huge quantities of wood – it

[539] The registration file for this company is in NAS BT2/1304. A series of memoranda between the two firms can be viewed in NAS GD282/13/155.
[540] NAS BT2/1261 – the California Redwood Company.
[541] NAS GD282/13/123 Report of Brown and Eheler, 1st May 1883.

was hoped to harvest 100 million board feet of timber per annum for export.[542] It was believed that because Redwood did not contain rosin it was more durable than wood such as pine which contained rosin, being less flammable and less prone to decay due to weathering.[543] As with many similar schemes, the vendors, including the San Francisco lumber merchants Russ & Co., and the previous timber landowners Jones & Co., were to be paid in a mixture of deferred and ordinary shares and debentures.[544]

The company's inception in 1883 was again not initiated in Scotland - it was the result of a pitch by James D. Walker, a representative of the San Francisco firm of Russ & Co., who travelled to Britain to attempt to find capital for the scheme.[545] Walker followed a similar path to many promoters of mining projects in the US and elsewhere, travelling first to London to attempt to find capital there – first promoting the project as 'The Redwood Company'. Walker then moved on to Edinburgh where he sought out Sir George Warrender, who was already particularly active in the FSC promotion business, holding directorships of three other FSCs involved in the US, including the only ranching company to be involved in California, the California Pastoral and Agricultural Company Ltd. This company enjoyed moderate success ranching in the San Joaquin Valley east of San Francisco, surviving into the twentieth century. Warrender also provided headquarters premises - California Pastoral shared with California Redwood and two others at 123 George Street in Edinburgh's New Town.[546] Some attempt was made to test the reliability of Walker's claims about the properties in

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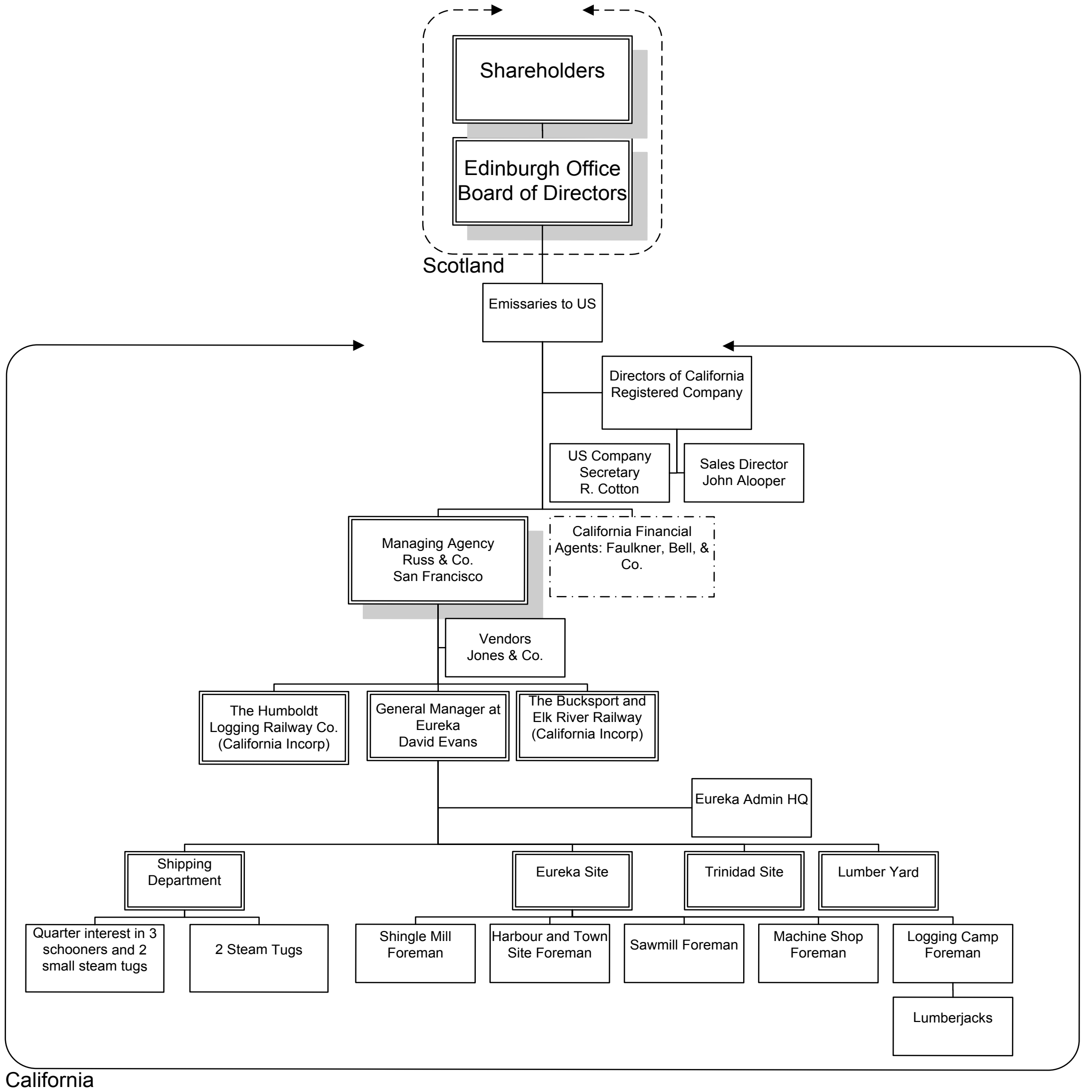
[542] NAS GD282/13/123 – California Redwood Company prospectus fourth proof, 1883. This measure is the standard used in the lumber industry of the US and Canada – 1 board foot is the volume of a piece of timber 1 foot square and one inch deep, or 1ft x 1ft x 1in.
[543] NAS GD282/13/143 – report of First General Meeting 5th November 1883, questions from shareholders on p. 11.
[544] NAS GD282/13/123 – California Redwood Company prospectus fourth proof, 1883., p.5.
[545] NAS GD282/13/143 – Report to the Directors of the California Redwood Company Ltd., by John Blair and Francis More, dated 4th December 1884, p. 2.
[546] See NAS BT2/1129 for the Directors and registered address of headquarters of the California Pastoral and Agricultural Company Ltd. The other two companies were the Scottish American Land Co Limited, headquartered at 123 George Street from 1881 and the Scottish Pacific Coast Mining Company Limited – see NAS BT2/957 and BT2/1018.

spring 1883 – Walker hired two forestry consultants from Toronto to write a report about the properties involved. These were Mr Browne, a civil engineer, and Mr Eheler, who was described as a 'bushranger'. They explored the forests on foot and on horseback for about four weeks and, perhaps unsurprisingly, sent back a positive report, despite by their own admission having previous experience only in pine. They even claimed that, once deforested, the land could be used for cattle more profitably.[547]

[547] NAS GD282/13/123 Report of Brown and Eheler, 1st May 1883.

Figure 6.2 The California Redwood Company Structure, c. 1883-85



Source: This has been extrapolated from an examination of a collection of documents on this company held at NAS in GD282/13; of particular use were the reports and correspondence file GD282/13/123 and the scrapbook GD282/13/143. NAS GD282/13 is part of a much wider collection of documents under NAS GD282 from the Edinburgh law firm Messrs Davidson & Syme W.S., 1468-1977. Access to this collection and permission to publish the information regarding the ACC and CRC in this thesis has been kindly granted by their successor firm Dundas & Wilson CS LLP.

Figure 6.2 shows the structure that the CRC attempted to adopt almost from its inception. Here the similarity with the ACC structure is clear, with no management function being based in Scotland. Instead, managerial control rested to a large degree with the San Francisco agents Russ & Co, and their onsite General Manager, David Evans. Evans was appointed on the strength of his thirty years, previous experience in the lumber trade[548] and based at the main sawmill and logging site at Eureka, some 200 miles remote from the agency office in San Francisco and in an area of very recent settlement. This was compounded further by the lack of any rail communication to Eureka or to the secondary site at Trinidad, a further 20 miles up the coast. A telephone line was established between Eureka and Trinidad and to the main Eureka logging camp, although crucially this was not connected to San Francisco where cables could be received from Edinburgh.[549] The lack of rail communication meant that the company had to acquire a small flotilla of coastal ships to carry logs to the San Francisco Bay for onward distribution. A lumber yard was purchased at the station of Tormey, on the Central Pacific Railroad, and also with water access on the east side of the bay for this purpose, although a separate sales office was also maintained in San Francisco with a dedicated sales director.

Evans was given a potentially wide range of powers at Eureka – not only over the logging teams who were dispatched into the forest, but effectively over the sawmills at both Eureka and Trinidad,[550] the shingle mill at Eureka, the shipping operations of the company, and also over the harbour and town site owned at Eureka. In addition, there were two short narrow gauge railways already constructed to access the woodlands owned by the company, and a third line under construction.[551] Despite their small size, two of these railways were registered as separate companies in California. Further, a separate California Redwood Company was registered in California due to concerns that

[548] GD282/13/143 booklet 'The California Redwood Company Limited: Report submitted to the shareholders by Messrs Blyth and Menzies on their return from California', p. 14.
[549] Ibid., p. 12.
[550] The company was in fact supposed to own four sawmills, three at Eureka and one at Trinidad, although one of these was on an offshore island, Indian Island, in Humboldt Bay.
[551] Of the three railways owned, the fully owned line was a short three mile route at the Trinidad site which extended from the harbour to the mill owned there and then into the forest. The second was the Humboldt Logging Railway, which operated thirteen miles of track extending inland from Eureka. The third was the part completed Bucksport and Elk River Railroad which was intended to extend thirteen southwards from Eureka into the forest. All these railways were intended to be extended when necessary, as logging operations required. NAS GD282/13/143 Report to the Directors of the California Redwood Company Ltd., by John Blair and Francis More, dated 4th December 1884, p. 12 and pp. 32-3.

an overseas based company would not be legally allowed to hold land in California, and this had separate board members, each with their own small shareholdings.[552] David Evans, along with Charles H. King and Joseph H. Russ of Russ & Co., were registered as directors in Scotland but clearly could not easily attend meetings of the rest of the board – the travel time between Scotland and California being at least two to three weeks minimum.

It is clear that even if the CRC had been an entirely Californian based company it would still have suffered from problems of management. This can be partly inferred from the fact that the previous owners of part of the land, a local firm called Jones & Co., had wanted to sell at all in a business with such allegedly good profit potential. After the handover it quickly became clear that not all of the CRC's assets were as valuable as they had first appeared to be. While Evans was claimed to be a competent manager, he was expected to manage all of these diverse parts of the firm to gain economies of scale in production almost from the start. Perhaps not surprisingly, this proved more difficult than the Edinburgh directors were led to believe – it was calculated by George Auldjo Jamieson that the firm needed to harvest 30 million square feet of timber per year, but only about 10 million square feet was cut in 1884.[553] Hold ups in completing the railway lines were partly to blame – this was an especial problem on the Humboldt railway, part of which had been washed away in the winter of 1882-3 and required rebuilding to a higher standard than Jones & Co. had previously constructed it to.[554]

[552] GD282/13/143 booklet 'The California Redwood Company Limited: Report submitted to the shareholders by Messrs Blyth and Menzies on their return from California', p. 13.
[553] NAS GD282/13/143 Report by George Auldjo Jamieson C.A. into the position of the company, appended to Extraordinary General Meeting report dated 3rd July 1884. Jamieson was acting here in his capacity as a Chartered Accountant, although he had been listed as a director of the CRC in the prospectus (NAS GD282/13/123/3), but not in the list of directors submitted to Companies House at the time of registration (NAS BT2/1261), nor does his name appear as a director in later documents.
[554] NAS GD282/13/143 booklet 'The California Redwood Company Limited: Report submitted to the shareholders by Messrs Blyth and Menzies on their return from California', p. 11.

Although rail transport is not usually necessary for logs as they can be floated down rivers, in this case it was believed that the use of rail would speed up the delivery of logs to the sawmills. It was thought that it would only be possible to send logs downstream in winter, and that the method was particularly unreliable way as they could become trapped. The plant in the sawmills was also not all of a satisfactory standard to allow this level of production either, with at least one of the sawmills said to be 'under repair' and the remaining mills not capable of processing a high enough volume of logs.[555] Additionally, one mill had to be converted into a workshop for the railway rolling stock and the maintenance of the equipment for the other mills. It also emerged that the Elk River Railroad, one of the two narrow gauge logging railways, was not yet completed to operational standard.[556] The directors enjoyed a brief honeymoon period at the end of 1883 and into 1884 when the company showed a small initial profit,[557] but financial problems started to become apparent throughout 1884 as expenditure on assets rose without any substantive returns, and shareholder pressure built up in Edinburgh.

The CRC therefore had severe problems of agency even within its host operating environment. These problems were accentuated by the worsening relations between Evans, the Californian board, and Russ & Co., on one side and the Edinburgh board and shareholders on the other. Problems were already arising because the chain of command in California between the agency and direct employees of the CRC was particularly vague, with Russ & Co's exact role except as a representative one being very unclear. Communication between Russ & Co. and Edinburgh by telegram and

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[555] Ibid., p. 10.
[556] Ibid., p.11.
[557] NAS GD282/13/143 balance sheet dated 31st December 1883 claims a 'balance of profit' of £12,681 after interest was paid, the Home Office rent and salaries were subtracted from the £16,756 received back from the United States. Of course, this profit may well have been an accounting trick.

letter also appears to have been very infrequent and the Edinburgh board relied on the reports of their occasional emissaries for information on happenings in California.[558]

The first visitors, sent in spring 1884, were Mr Edward L. I. Blyth, a civil engineer, and William John Menzies, Writer to the Signet, both members of the Edinburgh board. As with the emissaries sent by the ACC, it is unclear that these two had much specific knowledge of the lumber industry – although in addition they were accompanied by a Mr Mitchell Thomson, an Edinburgh timber merchant, and the Reverend Andrew Paton, a Church of Scotland minister and ordinary shareholder.[559] Paton's presence on this trip appears to have been intended entirely to reassure ordinary shareholders that the company was sound, helped by his highly respected social status, and he contributed a very entertaining essay about his adventures on company property to the report of the visit that was circulated to shareholders. Thomson was also supposed to reassure the shareholders with his experience as a timber merchant, although it seems unlikely that an Edinburgh based timber merchant would have much specialist knowledge about Californian Redwood trees. Thomson also contributed a report of his visit, in which he mostly talks about the very high quality of the wood; but then admits that he had no specific knowledge as to the production costs of lumber and so could not comment on them.[560] Interestingly, he commented that the combined shipping costs of $4.75 per thousand feet of lumber from Eureka to San Francisco seemed very high compared to the cost of bringing lumber to the east coast of Scotland from Sweden or Russia, and it is reasonable to assume that he might have some knowledge about this.[561]

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[558] No record of such communications appears to survive, and the surviving documents contain few references to any such communication.

[559] See NAS GD282/13/143 booklet 'The California Redwood Company Limited: Report submitted to the shareholders by Messrs Blyth and Menzies on their return from California'; the comments by Paton were appended to this report, while Thomson authored a separate report dated 30th June 1884. Thomson, incidentally was also a director of the ACC – see **table 6.1**.

[560] NAS GD282/13/143, 'Report submitted to the directors by Mr. Mitchell Thomson on the Preparation and Marketing of the Lumber', 30th June 1884, p. 9.

[561] Ibid.

Meanwhile Blyth and Menzies themselves also wrote a fairly descriptive report – they rode through the company forests for four days to inspect the sizes of the trees. Perhaps not surprisingly, they reported back that they were satisfied with the size of the trees and that these should produce enough lumber to make the company's predictions of output possible.[562] Even if Blyth and Menzies had the expertise to have any misgivings, it seems unlikely that they would have reported negatively if this would cause a run on the CRC's shares back in Scotland. The main negative comment they made was a rather vague statement about Jones & Co. having run down its logging capacity and about the fall in lumber prices in the area, though naturally it was hoped that the opening of the yard at Tormey would allow access to East Coast US markets and for the company to absorb any problems with falling lumber prices.[563] Blyth and Menzies had also spent some time consulting with Mr Walker and Mr King of Russ & Co., though it emerged that Walker had not previously been to the Eureka site.[564] Blyth and Menzies also pointed out that the secondary site at Trinidad was not being exploited much yet, and that more capital would be required to open it up fully.[565] They also spent ten days with Evans at Eureka where they reported a positive opinion of his managerial skills, noting that he had started 'the most complete system of bookkeeping' making it possible to see the cost of operating each ship, logging camp and sawmill.[566]

Evans was further praised for introducing 'several changes and economies' although the nature of these economies was not elaborated upon, except that he was apparently keeping a very tight grip on cost control, right down to the rations eaten in the logging camps. Again it seems unlikely that Blyth and Menzies would necessarily be aware of

[562] NAS GD282/13/143 booklet 'The California Redwood Company Limited: Report submitted to the shareholders by Messrs Blyth and Menzies on their return from California', p. 4.
[563] Ibid., pp. 9 – 10.
[564] Ibid., p.11.
[565] Ibid., p.13.
[566] Ibid., p. 15.

what would represent good practice in managing the concern, apart possibly from bookkeeping experience, and likely that they would have allowed Evans to impress them with the detail of what he had done. The general effect of this visit on company policy, either in California or in Edinburgh, seems to have been relatively slight, and the discussion at the shareholder's meeting convened on the deputation's return gave the impression of being one held between spectators rather than direct actors. Discussion was mostly very descriptive of events taking place remotely and where there was concern, for example, over the high level of capital expenditure in California, there was little talk of managerial intervention from the Edinburgh side to reduce it.

Perhaps the most interesting visit came in late 1884. John Blair, W.S., and Francis More, C.A.,[567] were sent to visit California with particular terms of reference, the most important being to investigate the commercial capabilities of the company, but in addition to investigate the original formation of the company in the US.[568] This had come about due to the continuing poor financial position of the company, which caused concerns to be raised that the vendors had not been entirely truthful in terms of the manufacturing capability of the original assets, and that either a new share capital arrangement be sought with the vendors or legal action be pursued against them. The accounts were a particular cause of concern, as Mr Walker was thought to be withholding information about the true state of accounts in California, and concern was also growing over Mr Russ' private undertakings at Eureka which were not part of the company. Blair was under strict orders to ensure that Mr Evans be restricted only to overseeing operations at Eureka and that finance be removed from his control. The sale of the northern site at Trinidad was also to be considered. Although the board had communicated by letter both with Mr Evans in Eureka and with the partners of Russ &

[567] Francis More was a partner in Jamieson's accountancy practice and Blair was their legal advisor. NAS GD282/13/143 – 'Statement by J. A. Robertson, C.A. to the shareholders', dated 22nd April 1885.
[568] NAS GD282/13/143 – Memorandum dated 11 September 1884 – writer unknown.

Co in San Francisco, it was now clear that trust had broken down. This did not create a helpful atmosphere for Blair and More's visit.

On his return in December 1884, Blair's report of his visit was not circulated to the shareholders. This is perhaps not surprising, given that he exposed shortcomings with the original prospectus and sale contract, and the fact that the company now needed to call up extra capital just to survive without defaulting. Firstly it was claimed that Walker had received some parcels of land in his own name from Jones & Co. in payment for disposing of their lands. Further, Walker had been paid £15,000 for the successful flotation of the company by Russ & Co. – although this would not seem dubious as it might be expected that a professional company promoter would be paid for his services.[569] On examination of the land titles, it was discovered that the company were in fact only joint owners of much of the 72,000 acres with others, presumably meaning that the other joint owners had to be compensated for their share of the sale value of any timber.[570] Blair also claimed that the quality of the timber was lower than originally stated: the proportion of clear lumber was only 50%, not the 70% alluded to in the original prospectus which had been prepared using information supplied by Walker.

Evidence of correspondence between Walker and Evans was reproduced by Blair, suggesting that Walker knew that expanding production to 50 million board feet of timber in the first year would be impossible, and that it was also realised that there would be no market for a large proportion of this output.[571] Details of overspending by the company in California were also repeated – Blair suggested that the conversion of

[569] NAS GD282/13/143 – Report to the Directors of the California Redwood Company Ltd., by John Blair and Francis More, dated 4th December 1884, p. 2.
[570] Ibid., p. 3. Unfortunately no figure is given for the specific amount of land that was actually in shared ownership.
[571] Ibid., p. 4.

the mill on the mainland into a machine shop had been a crucial error as it had meant a large expenditure in moving it to Indian Island where operations had not been restarted as the new mill had not been completed. This had meant that the company was left with only three functioning sawmills rather than four.[572]

Blair went on to report on the status of the CRC's liabilities and assets, and was particularly concerned about the status of a £50,000 high-interest loan with the Nevada Bank which had been taken out by Russ & Co. rather than raising debentures in San Francisco originally intended by the promoters, in addition to around £76,500 of short term debt in smaller loans and overdrafts.[573] He then went on to examine the company's revenue producing potential, finding that, with timber prices having fallen 15% since the company was established, the realisable price in the San Francisco market was around $20 per 1,000 feet. This was also approximately the company's cost of producing the timber and transporting it to San Francisco. In analysing the overall value of the assets, Blair found, as we might expect, that the company had paid too much for them, but that, in view of the falling price of lumber, the best course of action would be to hold on to the land without felling the trees in order to keep them as an investment.[574] Blair had sought advice on the issue of alien company ownership in California and found that this was legal, except in the case of the shipping side, where foreign ownership of US registered vessels was not permitted.[575]

Hence there were a number of issues on which the Edinburgh board had been misled, or perhaps had allowed itself to be misled through a lack of active management. Although Blair had chased both Walker and Russ & Co. to repay various sums that he believed

[572] Ibid., pp. 6 – 7.
[573] Ibid., p. 9.
[574] Ibid., pp. 10 - 11.
[575] Ibid., p. 13.

had been dishonestly taken out of the business, his final recommendation was that the company be wound up rather than raise further subscriptions to attempt to repay its outstanding debts.[576] Although the directors attempted to continue by privately lending their own money to the company, Blair's report effectively spelled the end for the CRC. The company finally entered liquidation on 28th April 1885, with George Auldjo Jamieson and Francis More appointed liquidators, and Blair as their legal advisor.[577] The partners of Russ & Co. then attempted to claim that Blair and More had been biased and had merely tried to speed up liquidation as they would benefit.[578] Claims also surfaced that the interests of the private syndicate in which Jamieson, who had withdrawn from the board of the CRC before its incorporation, and the directors were alleged to have participated to buy Redwood lands illegally, conflicted with those of the CRC.[579] This was alleged to be because the CRC's land shut these lands off from sea access, although it would presumably be in the directors' interests to continue to hold the CRC lands as such if that were the case. In any event, it appears that the CRC would have collapsed despite the allegations of land grabbing by shady private syndicates as it was a non-viable business very weakly controlled from Scotland.

6.5 Conclusion: To what extent were these two companies managed from Scotland?

It is clear that the California Redwood Company and the Arizona Copper Company, respectively the fourth and fifth largest Scottish FSC promotions before 1885, did not

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[576] Ibid., p. 15 – 16.
[577] NAS GD282/13/143 Voluntary Winding Up Resolution passed by Extraordinary General Meeting, 28th April 1885.
[578] NAS GD282/13/143, Statement by J.A. Robertson C.A. to the shareholders, 22nd April 1885. Here Robertson was acting as the Edinburgh legal representative for Russ & Co. – it is interesting to note that he was also the representative of a 'rival' syndicate – see **section 5.5**.
[579] Ibid. Russ & Co attempted, through Robertson, to present evidence that Blair and More, as associates of Jamieson, deliberately reported negatively on the company's performance in California to give the directors a reason to wind the company up.

have histories as successful as those of the two Australasian hosted companies dealt with in **Chapters 4 and 5**. The ACC achieved longer term survival and ultimately brought its shareholders the longer term reward of purchase at a premium by Phelps Dodge,[580] a US based mining company. However, it came close to collapse during the first two years of its existence, and thus ran the risk of becoming a Scottish parallel to the better known Emma Silver Mining Company collapse of the 1870s, which arguably represented an even worse case of speculative mismanagement.[581] Parallel to this, the California Redwood Company collapsed with the loss of probably around £500,000 of mostly relatively small investors' capital and leaving apparently few social benefits for the Humboldt Bay area. The subsequent failure of the replacement Edinburgh and San Francisco Redwood Company which took over those parts of the CRC not returned to Russ & Co. further suggests that this business was not viable in the long term, or at least not suited to long term FSC ownership.[582]

As companies, both the ACC and the CRC represented fairly typical examples of the free-standing form in the sense that they represented two different projects pursued by two distinct but loosely interlinked groups of capitalists in Edinburgh. At registration at least, there were no interlocking directorships – this occured only when the ubiquitous Sir George Warrender joins the board of the re-constituted ACC in 1884, probably to lend that company some credibility with the wider investing public.[583] It was not yet clear that the CRC was about to fail and confidence still remained in his cattle project, the Prairie Cattle Company. In addition, Warrender had traded off his status as a Baronet to promote these companies and could do so with the ACC too in order to raise

[580] Hyde, *Copper for America: The United States Copper Industry from Colonial Times to the 1990s*, p. 163.
[581] See Spence, *British Investments and the American Mining Frontier, 1860-1901*, pp. 139-190., for an in-depth treatment of this.
[582] See NAS BT2/1495 – this company was liquidated by 1906, although few details of its affairs during that time appear to survive.
[583] See NAS BT2/1375. Jackson, *The Enterprising Scot: Investors in the American West after 1873*, p. 167., suggests that Warrender joined as early as 1882.

confidence in the trust company set up to recapitalize the ACC, the Arizona Trust and Mortgage Company. Most directors of both firms could count themselves as members of either the legal or the accounting profession in Edinburgh and it is likely that they knew each other at least socially, if not professionally. Some linkages do exist outside the formal board structures – Mitchell Thomson, the timber merchant sent by the CRC to inspect that company's lumber reserves in California, was also a founding director of the ACC.[584] This was despite the fact that it seems unlikely that a timber merchant would be competent to advise a mining company in any capacity.

More notably, the high profile Chartered Accountant George Auldjo Jamieson, in addition to being a director of both the old and new ACC, served as accountant and then liquidator to the CRC. Jamieson had become a fairly important figure in Scottish business generally by the late 1870s, partly due to his role in forming the Society of Accountants (of which he served as president after 1882) and partly because of his role in liquidating the City of Glasgow Bank.[585] In view of Jamieson's wider career, his involvement with the ACC in restoring its credibility is seen as an important stepping stone onwards to greater things for him, including directorships in the Royal Bank of Scotland and the North British and Mercantile Insurance Company. It is unclear, however, how far this renaissance in the fortunes of the ACC was down to tighter management after 1884. Jamieson was able to ensure that the new managing committee structure at Clifton distributed resources well enough to ensure that the ACC was still around to profit from the Secrétan corner of the copper market in the late 1880s which

[584] NAS BT2/1144, The Arizona Copper Company registration file.
[585] C. Schmitz, *Jamieson, George Auldjo (1828-1900), Oxford Dictionary of National Biography Online Edition* (2004-7 [cited 12th December 2007]); available from http://www.oxforddnb.com/view/article/47872.

helped to ensure its profitable survival in the longer run.[586] On the US side, a linkage also existed in the San Francisco finance house of Faulkner, Bell & Co., who acted as financial advisors to both the CRC and the ACC.

There were also very close links between the investment trust world and these two FSCs. For instance, William J. Menzies had founded the Scottish American Investment Company in 1873 and sat on its board along with the publisher Thomas Nelson and Edward L. I. Blyth, both of whom joined him on the board of the CRC.[587] Meanwhile, J. Duncan Smith was also the managing director of the Scottish American Mortgage Company whose other directors interlocking with the ACC included William Lowson, Thomas J. Gordon and the chairman was John Guthrie Smith, who was also Sheriff of Aberdeenshire and Kincardine.[588] Because of these interlocking directorships, it would be tempting to suggest that the two companies were in effect simply branches (or even subsidiaries) of the two trust companies, but this does not appear to have been the case. Instead, the trust companies remained strictly separate businesses from the Free-Standing Companies. Although they also invested in the US, they restricted their lending and stockholding to either direct mortgaging to small lenders or holding small proportions of US companies.

In the case of the Scottish American Investment Company, this was restricted to not more than one tenth of a single security in order that a balanced portfolio could be held

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[586] See Harvey, *The Rio Tinto Company; an Economic History of a Leading International Mining Concern, 1873 - 1954*, pp. 68-73.,for a good summary of this attempt to corner the world copper market in the late 1880s.
[587] Gilbert, *A History of Investment Trusts in Dundee 1873 - 1938*, p. 5., Jackson, *The Enterprising Scot: Investors in the American West after 1873*.
[588] Jackson, *The Enterprising Scot: Investors in the American West after 1873*, pp. 17-18.

to minimise risk.[589] By extreme contrast, the ACC and the CRC represented very speculative investments, too speculative for the investment trusts to purchase stakes in. The same group of actors were able to use the limited liability system to take personal risks, using these FSCs as totally separate investment vehicles from either the investment trusts or their day to day professions. Therefore these companies represented a form of speculation – and their success or failure was not very important within the context of a wider portfolio. This meant there was less of an incentive to spend as much time on these companies aside from the occasional board and shareholder's meetings required to maintain their registration.

This, then, would further suggest that the boards of both companies had little real incentive to further develop management structures based in Edinburgh, let alone find anyone prepared to give up enough time to operate as an Edinburgh based manager for these and other Edinburgh based FSCs, even operating as the manager of a suite of companies. It is possible to argue that the boards of these companies represented more than passive investment clubs, in that a keen interest was taken in the results of these firms and that there was some limited interest in operating as a principal. The role of the principal for both companies was implicitly limited – the principals would monitor activities in the US as best they could, and occasionally make recommendations relating to how problems could be solved. Most importantly, underperforming agents could be dismissed.[590] Beyond this point, however, the control of the principals in Edinburgh was very limited – not even the project of these single project companies was chosen by their boards, being left instead to vendors such as Frank Underwood based in the US who approached potential boards to pitch projects. This was in effect a transatlantic system of venture capital.

[589] Gilbert, *A History of Investment Trusts in Dundee 1873 - 1938*, p. 5.
[590] Such as in the case of the ACC dismissing its General Manager Mr. Wendt in Arizona in 1884, although the CRC did not fire Mr. Evans, its underperforming manager at Eureka.

Unlike in the Australasian case, the genesis of these projects did not rest in Scotland but in the US – and further, the entrepreneurial impetus, if it existed at all for these firms, also rested in the US. There was no concept of investment decisions for these companies being referred to Edinburgh, meaning, for instance, that managers in the US were free to spend extravagantly without a budget while not especially attempting to raise income. Instead, accounts were simply sent back for examination, and if any real concern about performance was raised it came from small shareholders who stood to lose more, or from the press.[591] In addition, the US based managers were able to create the impression that they were better suited to make decisions because they had alleged expertise in mining or in the lumber industry, meaning that the Edinburgh directors who had no specific experience in either industry were more likely to defer to them. Usually these managers were non-Scottish and working in areas where there was little Scottish cultural influence; the fact that the ACC performed better after a Scottish manager, James Colquhoun, was put in place provides further evidence that the Home Office has more authority in an FSC when its agents have some form of common interest with it. This bond would appear to outweigh even the incentive of vendor's shares or other such inducements that were often offered.

Further, there was no opportunity for an internal market in knowledge within the firm, none of the members of either board had any real expertise in either mining or forestry to offer, and none were willing to travel to the US to offer it. These companies fit more closely with Wilkins' original thesis of an FSC that does not engage in knowledge transfer between home and host country, and which relied upon intermediaries to provide expertise.[592] It is not just that these companies did not transfer high level

[591] We can see this from the surviving published minutes of the AGMs and EGMs of both the ACC and CRC, which minute even the question and answer sessions held at the end of the meetings.
[592] See Wilkins, "The Free-Standing Company, 1870 - 1914: An Important Type of British Foreign Direct Investment," pp. 264-270.

technology – they did not transfer any technology at all, because these were both industries more specific to the US. Scottish firms had little experience in the copper industry at this stage – and there is no evidence of any attempt to involve Charles Tennant, the Tharsis chairman, and his chemical interests in the ACC,[593] nor did they have any specific experience in working with California Redwood trees. It is not as though the CRC attempted to replant trees native to Scotland such as the Douglas Fir in place of the Redwood trees as it felled them, or as though it exported any new methods or machinery in forestry. Likewise, the ACC did not export any engineering equipment for mining, smelting or railway building or operation; everything used for these purposes was US made, perhaps because any equipment imported to the US would be subject to tariff.[594] The ACC did not even send its copper to Swansea in Wales, the centre of the British copper industry, for refining – it was instead sent to Pope, Cole & Co. of Baltimore, Maryland for refining.[595] Neither did either firm carry out any recruitment in Scotland – the Scottish smelter James Colquhoun was already with the Longfellow company when the ACC took it over.

The management of risk through these companies also seems unusual in that we might expect a separate FSC to have been established for each stage of the production process rather than larger vertically integrated companies.[596] For instance, in the case of the California Redwood Company it is unclear why separate FSCs were not formed for the logging, milling, property and distribution elements of the business, and likewise why the Arizona Copper Company could not have had separate FSCs for the mining, smelting, property and distribution elements of its business. Both Scottish and English

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[593] See Checkland, *The Mines of Tharsis: Roman, French and British Expertise in Spain*., for a good history of Tennant and Tharsis, to which, of course, ACC would be a competitor company.
[594] Certainly steel, iron, and manufactured goods were subject to import tariffs and the special war levels of tariff which were put in place during the civil war were not changed until 1883. See F. W. Taussig, *The Tariff History of the United States*, 1964 ed. (New York: 1931), p. 230.
[595] NAS GD282/13/156 – book of telegrams and letters relating to the failure of Pope, Cole & Co., copper merchants in Baltimore.
[596] See, for instance, Wilkins, "The Free Standing Company Revisited."

merchant houses appear to have used these kinds of structures to greater effect in India, for example.[597] As mentioned in **Chapters 4** and **5**, in New Zealand the Scots even attempted this with the separate New Zealand Meat Preservation Company until the NZALC internalised processing and distribution, although they later withdrew from vertical integration. The main apparent rationale for this integration would seem to be that both the ACC and the CRC, if split, could have created economic relationships with only one supplier and customer, assuming that the ACC's smelters did not take business from the Detroit Company. Such an arrangement would be reminiscent of Williamson's classic Fisher Body and GM case, in which a supplier and customer merged because the transaction costs of singular governance were lower than if both firms continued independently.[598]

In the cases of the Arizona Copper Company and the California Redwood Company, managerial control did not successfully extend from Scotland into the US. This situation existed because little real attempt was made to extend control to the US. Instead, these companies were more speculative ventures for Scottish capitalists - although it was hoped that these ventures would be successful, the board members were mostly passive as their main incomes came from other sources. The main internal market in these firms was in capital, and in profits being returned to Scotland. No specie was retained in Scotland for procurement purposes there – the entire stock was sent to the US for allocation. Control of these assets rested instead with managers based thousands of miles away in California or in Arizona. Although having managers closer to the main field of operation would appear logical, their principals in Edinburgh found motivating these managers more difficult and gave them little incentive to ensure the success of these businesses. In addition these managers were expected to suddenly start

[597] G. Jones and J. Wale, "Merchants as Business Groups: British Trading Companies in Asia before 1945," *Business History Review* 72, no. 3 (1998).
[598] O. E. Williamson, *The Economic Institutions of Capitalism* (New York: 1985), pp. 114-115.

organizing and operating vertically integrated businesses with no clear incentive structure.

The Home Office was in effect a superfluous unit to these firms which simply vertically integrated into Scotland to find capital inputs. The Arizona Copper Company then represented a case of Free-Standing Company which worked successfully in the longer run but only as a successful speculation – perhaps this is all that is necessary in mining because it eventually managed to justify the existence of its home office. The California Redwood Company could not do this - its head office did not add value to its Californian operations which would have been better left in the hands of local capitalists controlling each stage of the production chain separately. These two companies then offer us two good examples of situations in which the Free-Standing Company does not offer the optimal organisational form.

Chapter 7 - Livestock FSCs in the US: how far were the Scottish cattle companies of the 1880-1900 period Scottish controlled?

This chapter will examine the role of Scottish Free-Standing Companies within the cattle ranching industry of the American West in the late 19th century with a specific focus on the Matador Land and Cattle Company and how it operated as a company, again with a focus on internalisation.

7.1 The Western Range Cattle Industry

This chapter will follow a slightly different outline to the previous chapters: it will in detail follow the career of one company, the Matador Land and Cattle Company, but will also include examples of practice from other Scottish owned cattle firms in this period. This approach has been taken because the basic history of the Matador company has been relatively well laid out, particularly by Pearce, although there is room for improvement as Pearce often simply repeats primary sources.[599] Additionally, a reasonable amount of evidence about the management practices of many of the other Scottish firms in this sphere is available, particularly through the memoirs of John Clay, a Scottish ranching consultant who was employed by many of the ranching FSCs of the period.[600] Evidence from this will be used to make some comparison between the Matador and its less successful counterparts in terms of the degree of management from the Head Office that these companies enjoyed. This chapter will also examine the Matador itself in more detail to place its organisational structure within the framework used in **Chapters 4**, **5** and **6**.

The most important body of previous writing on the subject was a volume entitled *When Grass was King: Contributions to the Western Range Cattle Industry Study*, a set of

[599] Pearce, *The Matador Land and Cattle Company*, pp. 92-93.
[600] Clay, *My Life on the Range*.

three essentially separate monographs relating to different elements of the range cattle industry published in 1956. In the first 124 pages, Maurice Frink examines the origins of the industry and its rise in the hands of domestic pioneers. At the end of the book Agnes Wright Spring fills 107 pages writing a biography of the American cattle entrepreneur John W. Iliff. The central section of the book, much longer at 187 pages, is taken up by W. Turrentine Jackson, who examines British participation in the industry. This allocation of space would then suggest that the British were arguably the most important contributors to the range cattle industry in this period.[601] This issue will be examined, starting with the entrepreneurial impetus behind the Scottish investment in the industry and then moving into examining the role of the Head Office in such cattle companies as the firm matured. Again as in previous chapters, the emphasis will be on whether management power was concentrated in Scottish hands or in the hands of agents in the USA. Further to this will be the extent to which these Scottish owners attempted to add value to these cattle ranches, or whether this was again a set of purely speculative ventures destined to enjoy only a short life.

Table 7.1 shows all 16 cattle companies registered in Scotland between 1880 and 1886. An unknown number of other schemes were promoted but failed to make it to the registration phase.

[601] The two accounts in question are Jackson, "British Interests in the Range Cattle Industry.", and Jackson, *The Enterprising Scot: Investors in the American West after 1873.*, which features a shorter chapter based on the 1956 study.

Table 7.1 Cattle Company promotions in Scotland 1880-86

Company	Date Registered	Nominal Capital (£)	HQ City	Locations of ranch property	Opera-tional?
Prairie Cattle Company Limited	30/12/1880	200,000	Edinburgh	Colorado, New Mexico and Texas	Y
Texas Land and Cattle Company Limited	28/12/1881	240,000	Dundee	Texas	Y
Missouri Land and Live Stock Company Limited	21/03/1882	100,000	Edinburgh	Missouri, Kansas, Arkansas and Indian Territory	Y
California Pastoral and Agricultural Company Ltd.	08/06/1882	250,000	Edinburgh	California	Y
The Wyoming Cattle Ranche Company Limited	28/08/1882	200,000	Edinburgh	Wyoming	Y
Western American Cattle Company Limited	13/09/1882	220,000	Edinburgh	South Dakota, Wyoming, Montana	N
Matador Land and Cattle Company Limited	04/12/1882	400,000	Dundee	Texas	Y
Hansford Land and Cattle Company Limited	08/12/1882	210,000	Dundee	Texas	Y
Deer Trail Land and Cattle Company Limited	22/01/1883	400,000	Glasgow	Colorado	N
Western Ranches Limited	19/01/1883	112,000	Edinburgh	South Dakota, Wyoming, Montana	Y
The Swan Land and Cattle Company Limited	30/03/1883	600,000	Edinburgh	Wyoming	Y
Montana Sheep and Cattle Company Limited	08/07/1884	100,000	Edinburgh	Montana	Y
Cresswell Ranche and Cattle Company Limited	06/02/1885	320,000	Edinburgh	Texas	Y
Chalk Buttes Ranch and Cattle Company Limited	15/04/1885	30,000	Greenock	Montana	Y
Deervale Ranche Company Limited	13/07/1886	10,000	Glasgow	Texas	Y

Source: These values are taken from the registration files of these companies held in the National Archives of Scotland. The registration file catalogue numbers are respectively: BT2/1003, 1075, 1101, 1129, 1151, 1155, 1181, 1182, 1198, 1203, 1225, 1312, 1369, 1433, 1450, 1545.

Of the 15, only two did not become operational, and of these one scheme, the Western American Cattle Company was later re-promoted as Western Ranches Limited to purchase the same property, the 'VVV' ranch in the South Dakota/Wyoming borderlands.[602] It should also be noted that although more ranching FSCs were promoted in Scotland than in London, around five or six London concerns were

[602] W. T. Jackson, "The Enterprising Scot," in *The Scots Abroad: Labour, Capital, Enterprise, 1750 - 1914*, ed. R. A. Cage (Beckenham: 1985), p. 80. The ranch was known as VVV because this was the mark used to brand cattle belonging to the ranch – within the US West the ranches tended to be known by their brands, as much as their company name if they had one.

promoted including the Cattle Ranche and Land Company and the Powder River Cattle Company, both of 1882.[603]

An unknown but substantial number of cattle companies were incorporated in the US as well, some on the East Coast, such as the Francklyn Land and Cattle Company which was incorporated in New Jersey in 1882 with a nominal capital of $3,000,000 (approx, £600,000) and which had its headquarters on Wall Street.[604] It seems likely that many of these concerns, whether purchased by FSCs from Britain or by companies originating on the US East Coast, were in reality too small to be incorporated and had no real need to seek outside capital, or were otherwise not viable businesses to begin with, often covering territories too wide or diverse to control easily. Inevitably, some of these firms were promoted for incorporation by their owners only to cash in, dumping the problems of future management in what was still an emerging industry into the hands of new managers and directors. As will be detailed further below, it took some time for ranch managers to develop their ranching competencies, and numerous mistakes were made early on, which principals back in Scotland did not have the experience to correct.

The range cattle industry in the western US had gradually emerged in the late 1860s and in the 1870s as settlers had slowly started to move into the areas west of the Mississippi. Much of this area, either prairie land or the eastern foothills of the Rocky Mountains, had been grazed by wild buffalo which were hunted to near extinction by the first settlers. This region was then thought to be ideal for rearing cattle, particularly around the foothills or where valleys broke the prairie, affording animals some shelter in addition to possessing plenty of grass.[605] The ranching movement started in Texas and

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[603] *The Economist* 11th March 1882, p. 294 and 5th August 1882 respectively. The spelling 'Ranche' was used in the original.
[604] Sheffy, *The Francklyn Land and Cattle Company*.
[605] Clemen, *The American Livestock and Meat Industry*, p. 176.

to some extent in Kansas, but gradually gravitated northwards as settlement, particularly arable farming, started to establish itself. New opportunities presented themselves – the ultimate goal of the ranchers was to sell their beef to the growing packing industry which was establishing itself around the stockyards of Chicago and St. Paul. At this stage ranchers and their stock faced long trails on foot to the nearest rail connection.[606] It has also been suggested that new demand was created by the emergence of mining operations in states such as Colorado and Montana, as well as the need to feed the navvies building the railroads westward.[607]

In response to these new trends ranches started emerging further north, in eastern Colorado, Wyoming and Nebraska, and cattle were moved there from Texas. These states also had the advantage of a more plentiful grass supply over the summer months. At this time ranching was a relatively simplistic farming operation operating at quite a basic level – ranchers and their cowboys took advantage of the loosely defined property rights to range their cattle freely over wide areas. This did not involve improving irrigation, growing straw or fencing in any form and thus the barriers to entry were low, requiring only some hired hands and horses, and the ability to construct a few simple cabins for accommodation and a corral for cattle ready for market.[608] Cowboys established themselves as a distinct group of workers as their main job during the summer months was to patrol the boundaries of ranches, herding back stray cattle that might be claimed by neighbours (although it is unlikely that this was reciprocal where neighbour's cattle had strayed into the patroller's ranch).

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[606] The meat packing industry developed initially out of pork packing, then pork packers diversified into purchasing cattle and packing beef for onward distribution, hence becoming known as meat packers. Ibid., p. 225.

[607] Clay, *My Life on the Range*, p. 270.

[608] Clemen, *The American Livestock and Meat Industry*, p. 182.

The opportunity for the involvement of outside capital in this trade seems to have emerged from the convention which developed that the owner of access to water courses could secure the 'range rights' for a whole area, thus eliminating the problems of common grazing.[609] This meant that corporate farmers could secure the rights to hundreds of thousands of acres on which large herds could be grazed freely with the minimum attention necessary. This convention appears to have been first reported in the UK by Clare Read and Albert Pell, who were sent by the UK Government's Royal Commission on Agriculture to investigate cattle rearing in the American West as imports of beef from the US, both on the hoof and chilled, were beginning to become a political issue.

The live trade had emerged in the late 1860s at a stage when animal importation into the UK was allowed freely. Ranchers and livestock commission men in the US were eager to use Europe as a potential outlet for their products, as the domestic market in the US was not yet large enough to absorb all their production. It should be noted, however, that there is little evidence as to the geographical origin of these cattle in the US, partly because the industry was so disorganized at this point. The UK government had come under pressure from domestic farmers to limit these imports, partly due to concern at falling prices due to exposure to competition, and partly due to the fear of importing livestock disease. The issue of livestock disease was dealt with through the introduction of the Contagious Diseases (Animals) Act of 1878 which provided that if disease was detected in a specific country or diseased animals detected in a shipment from a certain country, then restrictions could be put in place to control the movement of such animals into the UK. This resulted in US imports (along with imports from many continental European countries) being restricted to slaughter in the port of importation from

[609] C. Read and A. Pell, "Further Reports of Assistant Commissioners, 1880," in *Royal Commission on Agriculture*, ed. Ministry of Agriculture and Fisheries (London: 1880).

1879.[610] Ironically, this forced the importers to become more industrialized and arguably made them more competitive when selling their beef on the British market – the two ports licensed for these imports were the long established Foreign Cattle Market at Deptford in London and a new facility opened in Birkenhead in 1879.[611] As these supplies represented consignments of at least 400 head, larger than the small consignments typically sent to cities by domestic farmers, the imported supplies could be chilled for onward distribution and the railways were able to charge lower freight rates for these bulk consignments.[612] Even more controversially, consignments of chilled beef, which started to arrive in reasonable numbers from the US in around 1877, did not even require a butcher to sell to the final consumer, often being sold by other traders such as greengrocers.[613] Perhaps not surprisingly, these practices began to provoke some interest within the meat trade – although there is not much evidence to suggest that interest was provoked among Scottish investors.

The three Dundee based companies, the Matador, the Hansford and the Texas companies, also emerged in the wake of the establishment of a stock exchange there in 1879.[614] Dundee was not a very big city, with a population of only 142,000 in the 1881 census, and the stock exchange would appear to have been more of a civic pride project than reflecting any genuine need to raise capital.[615] Although at first the stock exchange merely listed local utilities such as the gas company, it facilitated the establishment of the Matador, Hansford and Texas companies.[616] Shareholding in these three firms

[610] Perren, *The Meat Trade in Britain 1840-1914*, p. 113.
[611] Ibid., p. 116.
[612] Clemen, *The American Livestock and Meat Industry*, p. 272.
[613] Perren, *The Meat Trade in Britain 1840-1914*, p. 130.
[614] Michie, *Money, Mania and Markets: Investment, Company Formation and the Stock Exchange in Nineteenth - Century Scotland*, p. 219.
[615] Census of Scotland 1881, Preliminary Report, p. 16.
[616] Michie, *Money, Mania and Markets: Investment, Company Formation and the Stock Exchange in Nineteenth - Century Scotland*, p. 220. Business was always slight on the Dundee Stock Exchange, with only three or four transactions occurring each day – its peak year of activity was 1883, when there were 1,332 transactions.

remained remarkably concentrated in the Dundee area – Dundondian investors held 42% of the Matador, and 47% of the Texas company by 1888. This local shareholding may have encouraged the Boards of both companies to be better principals, although the local nature of the shareholdings meant that such shareholders were small, and thus would have been required to act collectively to threaten the board. The average stake of holding in the Matador was just 0.19%, while that in the Texas company was 0.26%.[617]

7.2 The Matador Land and Cattle Company - Management Strategy and Structure

Previous writers on the subject such as Clay and Pearce have covered the formation of companies such as the Matador Land and Cattle Company but do not tell us much about their structure and how they were actually designed as organisations.[618] Further, these works do not look at how far companies internalised information, and do not systematically consider related topics such as recruitment and procurement. This section intends to do this more clearly. Pearce reproduces a number of primary sources without analysing their wider significance – to some extent this chapter will draw on the sources used by Pearce as well as new primary source material. It will be clear from the discussion above that a cattle FSC typically comprised a Scotland based board of directors, who registered the company to a 'brass plate' address.[619] The main employee in Scotland was usually the company secretary whose responsibility was to communicate with the actual management who were usually US based. The Matador

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[617] These figures have been calculated from 'The Matador Land and Cattle Company Limited' shareholders list, and 'The Texas Land and Cattle Company Limited' shareholders list 1888. Lamb Collection, Dundee City Library, Cat. nos. 200 (34) and 200 (74) respectively.

[618] Clay was a former ranching consultant who wrote his memoirs on the subject in 1924. While this book contains a lot of irrelevant material such as fictional stories and Clay's reminiscences, he does provide some useful insights into the organisations of some of the companies that he helped to establish – and even recognises that his record during this period was not ideal as he was still building his competence too. Clay, *My Life on the Range*.

[619] Nicholas, "British Multinational Investment before 1939." – in the sense of a merely nominal head office.

was fairly typical of this pattern, with a small Head Office first at 104 Commerical Street, before moving to 13 Albert Square in 1885.[620]

Little evidence survives as to how much these offices were actually used to transact company business and whether the board actually met there or would have met somewhere more convenient. Both the first and second addresses were shared with Mackay & Mess, Alexander Mackay's accounting practice, and any accounts being returned from Texas would be handled by this practice rather than clerks being employed specifically on behalf of the Matador at this address.[621] For certain, this address did not have any facilities large enough to hold the AGM, which was held instead at Lamb's Hotel in Reform Street, a venue which also held the AGMs of the Texas and Hansford companies.[622] Below Head Office level, a US Head Office was in early 1883 established in Fort Worth, Texas, distant from the Matador ranch, which was approximately 260 miles to the west.[623] **Figure 7.1** shows how the company was structured in the early 1880s.

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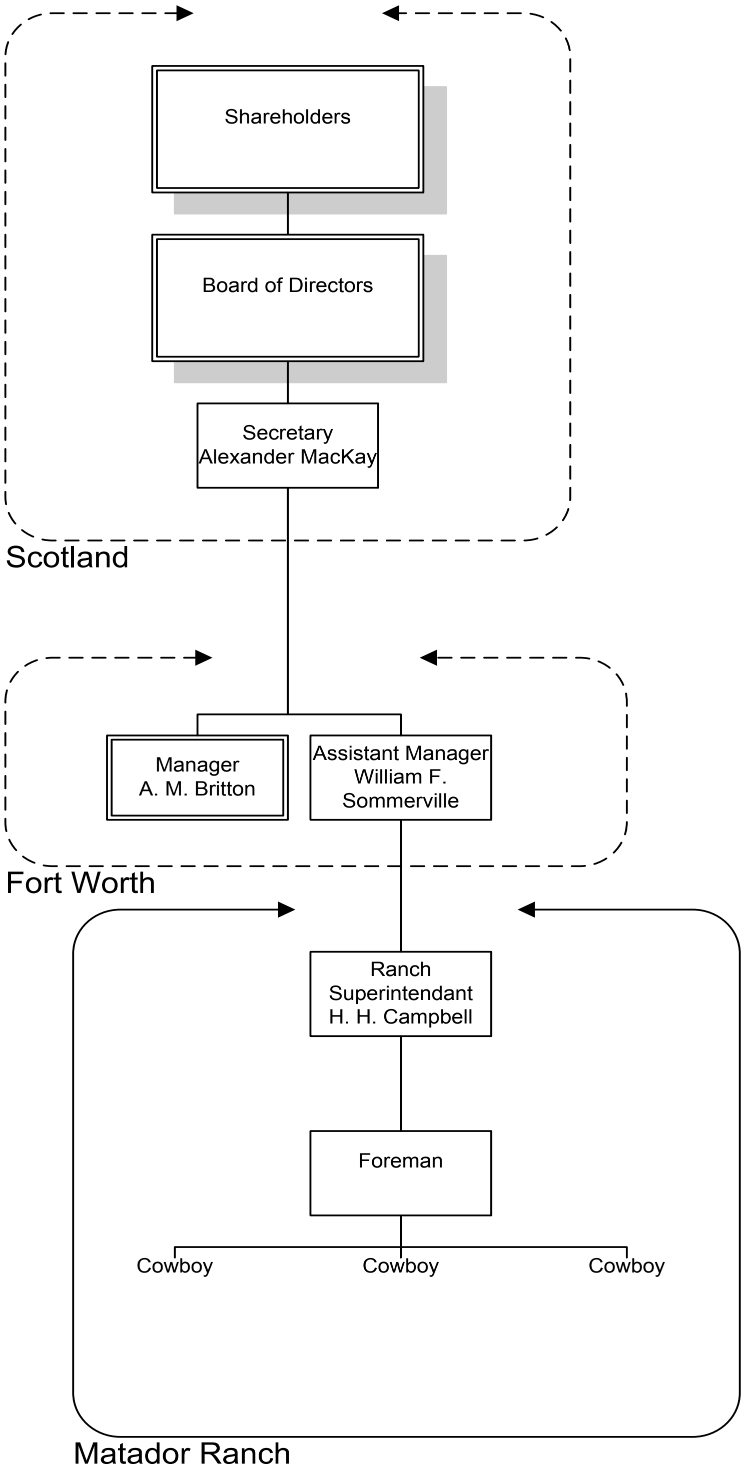
[620] Reg. file, NAS BT2/1181- These two locations are not only in the main commercial district in Dundee but also in buildings almost next to each other.

[621] For example, the 1883 Matador Annual Report gives the address of the company as 104 Commercial Street – it also does this for Mackay and Mess C.A. The 1889 shareholders' list similarly gives the company's address as 13 Albert Square, and the same for Mackay and Mess' address. *The Matador Land and Cattle Company Ltd. First Annual Report* (Dundee, 1884), Lamb Collection Dundee City Library Cat. No. 200 (35), and *The Matador Land and Cattle Company Ltd. List of Shareholders* (Dundee, 1889), Lamb Collection Cat. No. 200 (34).

[622] Annual reports of the Texas and Hansford Companies, 1884.

[623] The South West Collection: Texas Tech University Archives – copies held by University of Dundee Archive Services, A258 6B Box 13 Folder #8. Letter from W. F. Sommerville to H. H. Campbell dated 11th December 1883.

Figure 7.1 The Matador Land and Cattle Co. Structure, 1882-5



Source: This chart has been derived from the Matador Land and Cattle Company Annual Reports and Accounts for 1883, 1884, 1886 and 1887, as well as correspondence between Campbell, Somerville and MacKay from 1883 and 1884 taken from The South West Collection, Texas Tech University Archives, Lubbock, Texas, copies held by the University of Dundee Archive Services A258 6B Box 13 Folder #8.

The decision to locate an office in Fort Worth appears to have been taken to give access to the telegraph and postal networks, which were not yet well established in the Texas Panhandle. A. M. Britton, the vendor who was given the title manager as part of the sale contract, was manager in title only, spending most of his time on new land development schemes that were irrelevant to the Matador.[624] This is why he is not shown as part of the line of command in **Figure 7.1**, but is instead shown as being on a limb. The board seem to have tolerated this situation because Britton's remuneration was only $2,000 per annum plus a 7% profit share after the shareholders received a 20% dividend.[625] The board were therefore not paying Britton any substantial amount in the difficult early years of the company. Instead, the chain of command continued through William Fife Sommerville, on paper the assistant, and then formally promoted to manager when Britton left after the board agreed to release him with a $7,500 payment in 1885.[626] Harry H. Campbell, who was in charge of the ranch under US ownership, was given the title of 'Ranche Superintendant' under the new Scottish ownership.[627]

The idea of the chain of command seems, however, to have been a little confused – at first, at least, it was unclear exactly where responsibility lay. Mackay in Dundee wrote to Sommerville regularly to ask for updates on progress, and Sommerville was expected to get this information from Campbell and relay it to Mackay for approval.[628] Essentially Sommerville was expected to take the important decisions, Mackay to approve them and Campbell carry them out. In this framework Mackay's role was effectively a regulatory one, although it should be noted that he was very conscientious,

[624] Pearce, *The Matador Land and Cattle Company*, p. 18.
[625] Clay, *My Life on the Range*, p. 312.
[626] Ibid.
[627] *The Matador Land and Cattle Company Ltd. First Annual Report* (Dundee, 1884), p. 2. Dundee City Library Cat. No. 200 (35).
[628] See the Southwest Collection A258 6B Box 13 Folder #8, 'Correspondence W. F. Sommerville, 1883-89' – this also contains some correspondence between Mackay and Campbell which was copied to Sommerville.

personally visiting the ranch every year, accompanied by one of the directors.[629] Mackay was no mere absentee despite his outside interests, and his remuneration cannot have been huge. The annual reports typically put non-interest home charges in a range of £1,000-£1,300 including salaries, office charges, stationery, travelling expenses, bank charges, cable charges and other miscellaneous costs, out of which Mackay had to draw his salary and presumably the director's fees as well.[630] Perhaps more motivating was his holding of 200 Matador shares at a par value of £1,200, though this represented only 0.4% of the company.[631]

Mackay also took a direct interest in the relationship between Sommerville and Campbell, often communicating with Campbell directly to back up Sommerville's word. Campbell had been given a lot of latitude in the way that he ran the ranch under Britton and so was not used to operating with superiors, and he also disliked the administration work asked of him by both Sommerville and Mackay. Particularly annoying to him, according to Pearce, was been the board's insistence that he seek the manager's approval for all expenditures exceeding $500, although this may be understandable as Britton was frequently out of the office and difficult to contact, already a problem in a district where postal deliveries were particularly sporadic.[632] A ranch post office was opened in 1886, presumably to handle not only the internal post of the Matador Company but also that of its employees.[633] Misunderstandings in communication did not help either, as Campbell seems to have mistrusted the fact that

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[629] Clay, *My Life on the Range*, p. 311., Pearce, *The Matador Land and Cattle Company*, p. 22.

[630] This accounted for 2-3% of turnover. *The Matador Land and Cattle Company Ltd. Annual Reports* 1883, 1884, 1886 and 1887, Lamb Collection, Dundee City Library, cat. no. 200 (35-38).

[631] Matador Land and Cattle Company Ltd. List of Shareholders, 1889. Lamb Collection, Dundee City Library cat. no. 200 (34).

[632] Pearce, *The Matador Land and Cattle Company*, p. 18.

[633] The Matador ranch was given its own post office in 1886, suggesting that a lot of mail was handled, although it is unclear if this was a full time facility, or simply normal for the first settlement in an area to be given a post office. US Postal History literature leaves much to be desired on this subject. *Handbook of Texas Online*, s.v. ",," http://www.tshaonline.org/handbook/online/articles/MM/hjm7.html (accessed August 18, 2008).

Mackay would write to Sommerville in Forth Worth as well as writing to Matador, presuming that this meant that Mackay did not trust him to give accurate returns. Campbell aired this grievance to two visiting directors in early 1884, forcing Mackay to apologise in his next letter, and to explain that this was necessary to give the shareholders a clear view of the company's progress.[634]

Pearce suggests that Campbell's difficulty in adapting to the need for accountability on the ranch seems to have been one of the early problems faced by the Matador company, because it relied too much on Campbell who probably lacked many of the accounting and administrative skills necessary to run the ranch in the way that Mackay and Sommerville would have wished. However, there is no evidence to suggest that Campbell was a poor superintendent of the ranch – in fact, if the accounts for 1883, 1884 and 1886 are to be believed, the ranch was profitable, selling 4,817 head in 1883 and 8,587 head in 1884, culminating with sales of nearly 13,000 head by 1886.[635] Even in 1887, when the previous winter was generally considered to be the worst yet experienced in terms of losses to the range cattle industry as a whole,14,605 head still found their way to market and a small profit was realised.

These figures would tend to suggest that Campbell was good at his job as a rancher, considering that he still managed to find saleable cattle after a bad season. Perhaps his superiors in Fort Worth and Dundee should either have taken more care over appointing a ranch superintendent (although to some extent they were restricted by the contract made with Britton when purchasing the ranch) or at least have provided some administrative support to Campbell, provision for which appeared not to have been

[634] Southwest Collection A258 6B Box 13 Folder #8, letter Sommerville to Campbell dated 4th December 1883.
[635] See the *Matador Land and Cattle Company, Annual Reports* issued in 1884, 1885 and 1887, all of which covered the previous calendar years. Dundee City Library cat. nos 200 (35), (36) and (37).

made initially. Instead, Sommerville was left chasing Campbell for accurate accounts such as herd classifications and payroll listings to comply with the demands of the auditors.[636] Campbell, of course, would have been used to employing people on a casual ad hoc basis when necessary (and this was very much the culture of the west), and was possibly not even accustomed to using cheques to pay wages but simply paid in cash.

The biggest error of the Matador Company in its first ten years was undoubtedly that a proper herd count was not taken when the company took over the Matador ranch, nor was this done until as late as 1892, when Sommerville's successor Murdo MacKenzie undertook a count.[637] At the time of purchase, the prospectus claimed a total of 41,138 cattle, and this figure was used as the initial basis for the herd size; to this was added a purchase of an additional herd said to be 'exceeding 20,000 head' from a neighbouring ranch sourced by Campbell with the directors' permission.[638] The 1883 annual report then claimed an exceptional calf crop of some 20,844 which was stated to consist of calves actually branded.[639] Hence, after the 1883 season's sale of 4,816 head, it was thought that 77,200 cattle remained in the herd and this number was used to continue the running total calculated every spring after round-up and every fall after sales.

The spring round-up itself was probably not entirely reliable as, particularly before extensive parts of the range were fenced, it represented something of a free for all. Its purpose was to attempt to ascertain how many cattle had survived the winter. The winters on the plains were too severe for the normal line riding work to continue, making it difficult to assess what the new spring calf crop was or was likely to be. This

[636] Southwest Collection A258 6B Box 13 Folder #8, letter dated 4th December 1883.
[637] Clay, *My Life on the Range*, p. 313.
[638] *The Matador Land and Cattle Company Ltd. First Annual Report* (Dundee, 1884), p. 3.
[639] Ibid., p. 4.

was usually carried out in co-operation between all the ranches sharing a common range area, but unsurprisingly could be subject to free rider problems particularly with regard to claims over calves. Obviously, although a cow might have been branded by one ranch, its calf would not yet be branded, and inevitably some unscrupulous cowboys might try to claim calves that belonged to others by branding them before the joint party was able to round them up. This was particularly the case where 'maverick' calves were concerned, these being calves that had wandered away from their mothers.[640] Further difficulty in the round up was often caused when cattle frequently wandered very long distances to escape bad winter weather, or even slipped through gaps in any fences that existed. Although the Matador did have a policy of aggressively fencing its lands we can assume that the entire 419,176 acres shown on the 1884 balance sheet were probably not all covered initially.[641] Therefore the calf crop may not in fact have reflected the true productivity of the herd and could have exaggerated its size.

We can assume that the number of cattle sold was more likely to be accurately reported as it represented revenue that was more easily accounted for. However, the company did not have access to a nearby rail connection (Matador itself did not get a rail connection until 1913, when the Motley County Railroad was opened), and for some years trail driving of the cattle to markets in the north was necessary.[642] Therefore it is also possible that some cattle did not survive the whole trail, or escaped during the trail, as they were simply herded across the plains where no defined highway existed. The core of the problem was that around 60% of the company's capitalization was based on the

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[640] Clay, *My Life on the Range*, pp. 112 - 113.
[641] *Matador Land and Cattle Company Ltd. Annual Reports* (Dundee, 1884, and 1885), p.5, Balance Sheet 1884, pp. 8-9.
[642] *Handbook of Texas Online*, s.v. ","
http://www.tshaonline.org/handbook/online/articles/MM/hjm7.html (accessed August 18, 2008).

number of cattle held as the company's core asset according to market price.[643] This meant that the herd was valued at about twice the value of the company's land throughout the 1880s. The result of this was that when Mackenzie finally carried out a count of the herd in 1892 it was estimated at 97,000 head, but found in reality to be only 70,200. The nominal capital had to be written down from £500,000 to £400,000 and £2 per share written off, something which proved embarrassing for a company that was thought to have a higher standard of governance than its peers.[644]

A similar issue was that, in originally promoting the Matador, Britton had given the impression that the company would have access to around 1,500,000 acres of range rights covering the whole of Motley County, half of Cottle and Dickens counties and one third of Floyd County.[645] Or rather, this was the amount of land that the prospectus claimed the company would have at its disposal after purchasing outright 100,000 acres giving access to water courses by blocking out other possible competitors for the land. There is no evidence that any proper surveying was done or that maps (so far as they existed) were used in doing this. Instead, the ranch was visited by Sommerville and Robert Fleming, with the assistance of a Patrick Carnegie, prior to purchase in autumn 1882. Carnegie's credentials are somewhat dubious, but he seems to have been commissioned because he had a relatively local connection on the Scottish side – being from Newton, Kincardineshire, about 50 miles north-east of Dundee. He also claimed to have been successfully engaged in the US cattle business for nine years, and may therefore have been able to judge the quality of a Texan cattle range.[646]

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643 See the Balance Sheets presented in the *Annual Reports*. Value for the total herd was apparently calculated by multiplying the number of cattle and horses on the company's books by the estimated market price for them.
644 Clay, *My Life on the Range*, p. 313.
645 *The Matador Land and Cattle Company Ltd., Prospectus* (Dundee, 1882), p.2.
646 Ibid.

Pearce claimed that Sommerville had previous experience in 'the cattle business in northern Britain', but it is unclear where this idea came from. Sommerville appeared in the 1876 Dundee Directory as a jute merchant,[647] and Fleming, who was a skilled financier but had no farming experience, would probably not have had much idea what they were looking for, or at, in this property. The extent of 1.5 million acres seems to have been chosen simply because it was a convenient number, and one which would sound suitably massive to prospective shareholders. The prospectus made no mention of how such a large estate might be managed. In fact, additional land was purchased right away to bring actual holdings up to 374,717 acres by the end of 1883, although in 1884 Sommerville re-assessed the realistic range rights open to the company to be in the region of 900,000 acres. Much of this land represented range rights – land claimed by the company but which still remained in the public domain - although only the company could access it as they held the water sources around this land. Holdings on the balance sheet continued to be expanded gradually, reaching 435,000 acres by the end of 1886.[648] The acreage claimed for range rights was never considered an asset and so never counted on the balance sheet, but it did represent a potential claim about the possible operational efficiency of the firm (to the untrained eye, at least) and seems likely to have put some premium on the market value of the company, even if it did not represent the accounting error that the mis-estimation of the herd size had created.

As noted above, the later 1880s were a period of difficult trading conditions in the range cattle industry generally, particularly after the difficult winters of 1885-6 and 1886-7 depreciated the quality of the stock and reduced the calf crop. This began to cast doubt

[647] Dundee Post Office, *The Dundee Directory 1876-77, Including Lochee, Broughty Ferry, Newport, Tayport and the Rural District in the Vicinity of Dundee* (Dundee: 1876), p. 248. Pearce does not give any source for this claim.

[648] *The Matador Land and Cattle Company Ltd. Annual Report* (Dundee, 1886), p. 7. This is equivalent to about 680 square miles, or an area 26 miles long by 26 miles wide.

on the viability of range ranching as a business model. As mentioned above, in range ranching the cattle were allowed to wander freely with the minimum attention, and this meant that it was often difficult for stock to find any kind of shelter in the winters. When snowfall was particularly heavy, cattle were deprived of food, poor visibility meant cattle could easily wander long distances or fall down ravines, and in some cases the cold could kill them.[649] In addition, ranches did not arrange for any winter feeding at first.[650] There was certainly no question of rounding up 70,000 cattle and putting them in a barn over the winter, and in fact the conditions were often too bad for riders to go out – many ranchers paid off their cowboys entirely during the winter months.[651] Exposing the core assets of a business in this way might appear foolish at best, and a form of gambling at worst, but the limited previous experience of ranching in the prairie states meant that the understanding of extremes was quite limited. The most experienced ranchers in the west at this point had been in business only around twenty years at the very most, and more still were incomers from further east or abroad. Further, no weather records for the region existed so the extremes were unknown.

According to John Clay, the winters of 1884 and 1885 had also been relatively severe in the panhandle, causing the Matador to lose 5,000 of its calves in 1885, representing a fall of almost 20% from 24,136 in 1884 to 19,501 in 1885 and 21,226 in 1886.[652] Clay has suggested that the company managed to work its way around such disadvantages by careful accounting, although because the company was not aware of the exact size of its herd the full scale of losses was not apparent.[653] In reality this may have helped to keep the Matador in business through the difficult trading conditions of 1886-7, when

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[649] Clay, *My Life on the Range*, pp. 92-93. For instance, Clay noted that the Dickey Brothers, independent ranchers in Indian Territory, later Oklahoma, lost 15,000 cattle in the winters of 1884-5 and 1886-7.
[650] Ibid., p. 262.
[651] Ibid.
[652] Ibid., p. 310. *Matador Land and Cattle Company Annual Reports*.
[653] Ibid., pp. 308 - 309.

numerous small ranchers foreclosed and most of the other ranching companies ran into difficulty from which they never completely recovered, although in the annual report for 1887 Mackay actually claimed that the winter in the panhandle had been relatively mild compared to conditions in the cattle regions further north.[654] This allowed the company to take advantage of the fact that its cattle would have been in a better condition than those of its competitors to sell for a premium, despite the loss of over £1 from the head price of cattle – 14,605 head fetched £34,893 in 1887 (nearly £2 8s per head) compared to the £48,116 made by 12,947 head in 1886 (over £3 14s per head).[655]

The company also fought back from this depression by largely abandoning the assumption that range ranching could be relied upon, and by investing increasingly in new fencing to create a system of paddocks where cattle could be prevented from wandering or being mixed in with the stock of others. This was nothing new to the Matador – fencing and improving water supplies had been a stated aim from the beginning, but the pace of these improvements quickened after the mid-1880s. As early as 1884 a new fenced pasture for steers was erected to keep them separate from the cows, with apparent great success in creating 'greater freedom and quietness to the cows' as well as reducing the amount of competition that the male cattle, usually used for beef, had for grass.[656] In 1886 this was followed with the addition of fifteen branding corrals, to assist with the spring round-up. In the same year the fencing in of the ranch was almost completed, restricting the movement of the stock to the areas owned outright by the company and so saving in property rights problems such as those with maverick calves, and reducing the need to ride as far to round up stray cattle. Two new wells with windmill pumping machinery, which required no labour to operate, were also added and even the accommodation facilities for the cowboys were

[654] *Matador Land and Cattle Company Annual Report*, 1887, p. 4.
[655] *Matador Land and Cattle Company Annual Reports*, Profit and Loss Accounts for 1886 and 1887.
[656] *Matador Land and Cattle Company Annual Report* 1884, pp. 2-5.

improved.[657] In the report of his autumn 1887 visit, Mackay even noted that Campbell was presently introducing a new way to plan the branding and selection of cattle for sale, so as to reduce the extent to which the cattle were disturbed, essentially so that they spent less time running.[658] Through better planning of these activities, it was hoped that the cattle would not be moving around as much, thus remaining fatter and more valuable.

Campbell and Sommerville seem to have been the driving forces behind a lot of these improvements, using their practical experience rather than relying upon orders from Dundee, although their actions were still subject to approval and Mackay personally visited to see that improvements budgeted for had actually been carried out. As he stayed for four weeks, he could perhaps also get a feel for how effective the improvements had been.[659] By sending the same person to Texas to do the monitoring each year, the directors ensured a reliability in inspection which meant that, as Mackay became more familiar with the ranch, Campbell would be less able to conceal problems than he would if someone different were sent each year. Conversely, as Mackay came to trust Campbell more, then regulatory capture was possible as Mackay was likely to be less strict in inspecting Campbell's work on the ranch. In addition Sommerville and Campbell could actually expect that this inspection would take place, and plan accordingly. In this fashion the Matador began to lay the foundations for the future success that lay ahead despite the difficult conditions for the industry that prevailed in the 1880s as a whole.

[657] *Matador Land and Cattle Company Annual Report,* 1886, p. 7.
[658] *Copy Report by Messrs G. Halley and A Mackay, to the Directors of the Matador Land and Cattle Company, Limited*, appended to the 1887 annual report, p. 9.
[659] Ibid., p. 8. George Halley, visiting on behalf of the other directors, spent two weeks at the ranch.

By 1890 some recovery was becoming apparent in terms of conditions, with grass being reported as abundant in the summer of that year. William Sommerville gave notice of his retirement in May 1890 although he died before being able to pass the reins over to his successor, Murdo Mackenzie.[660] Mackenzie was a Scot resident in Trinidad, Colorado, and was approached about the job by Mackay and John Robertson, the director who had accompanied Mackay on his autumn 1890 visit to the Matador ranch. Mackenzie had come to the attention of the directors through his previous post as financial manager for the Prairie Cattle Company in the US, before taking over as its manager in 1889. In these roles Mackenzie had managed to sort out some of the problems caused by Underwood's mismanagement of the company in the early 1880s, although trading conditions had not been good for the Prairie Company during the late 1880s either. Mackenzie had previous experience both as an estate factor in the north of Scotland and in the insurance and banking industries.[661]

The Prairie Company's survival in this period had been down to Mackenzie's cost cutting and systematic management of its three ranches, with expenses having been cut by around $30,000 a year.[662] After the scare of nearly losing their money in the mid 1880s, the Prairie Company's shareholders, who had paid more attention to the US affairs of the company, and had carried out an investigation into the running of the ranches which criticized Mackenzie's style, and he resigned. The standard of this investigation was somewhat dubious as the influential Scottish ranching consultant John Clay, by this stage a recognised expert who had experience of the operations of many different ranches, refused to take part. Clay complained that the main auditor was someone that had been blacklisted by the Wyoming Live Stock Growers Association for his ineptitude. This investigator had described Mackenzie as a 'good, industrious and

660 Pearce, *The Matador Land and Cattle Company*, p. 37.
661 Ibid., p. 38.
662 Clay, *My Life on the Range*, p. 134.

successful salesman' but said there was too much 'red tape etc. etc.'[663] This was not to the taste of some of the Prairie shareholders, but it impressed Mackay and Robertson who hired Mackenzie for exactly that same reason.

Figure 7.2 below shows the structure of the Matador Company after Mackenzie took office. Under Mackenzie the company grew by reinvesting profits from operating on one large single ranch to operating four properties by 1912, and in the 1890s Mackenzie began to put in place the structure to expand in this way. Campbell had also resigned following the departure of Sommerville, and was replaced by Arthur Ligertwood, an ally of Mackenzie's, as Superintendent at Matador. Controversially, and despite the opposition of Mackay and the directors, Mackenzie moved the US Head Office of the company to his own base at Trinidad, Colorado, 365 miles from the ranch (compared to Fort Worth, 264 miles from it).[664] Mackenzie argued that this would be beneficial as the new office would be closer to the markets for summer fattening of cattle in more northerly states and also to the stockyards in Chicago.[665] For sure, there was likely to be some agglomeration economy as the new base was closer to Cheyenne, Wyoming, at this point the unofficial headquarters of the range cattle industry with its cluster of management agents and banks specialising in agricultural loans, and representing a meeting place for ranchers generally.[666]

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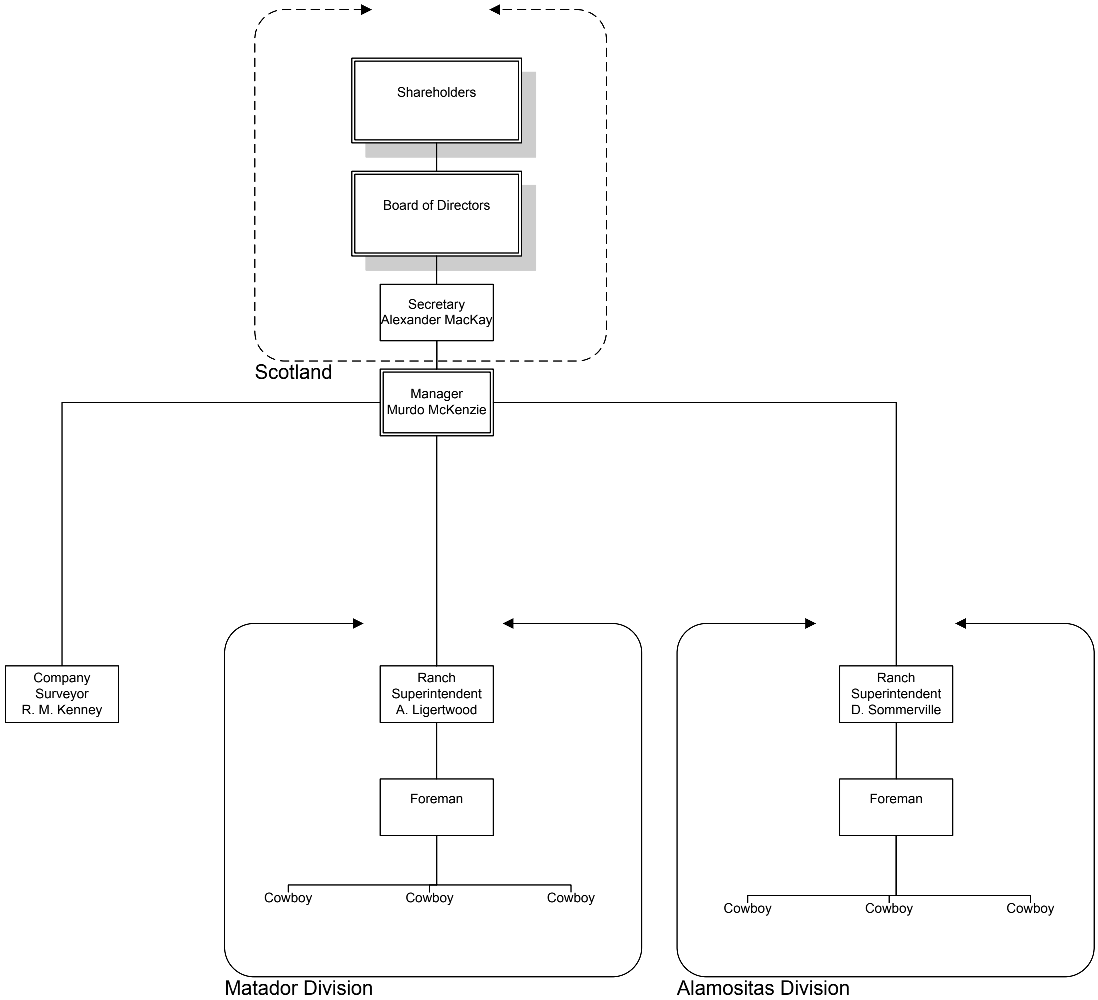
[663] Ibid., p. 135. Clay does not give the name of the auditor in the original.
[664] Pearce, *The Matador Land and Cattle Company*, p. 39.
[665] Ibid.
[666] Trinidad is 298 miles by road from Cheyenne, while Matador is 668 miles from Cheyenne.

Figure 7.2 The Matador Land and Cattle Company, c. 1900



Source: This chart is derived from A262.3C, Box 6 Folder #2 Correspondence, MacBain, Ligertwood 1901-03 of the Southwestern Collection, Texas Tech University – copies held by University of Dundee Archive Services. This was the arrangement of the company's ranches in 1901-03 when the company had two ranches, one at Matador and the other at Alamositas, in Oldham County, Texas.

Apart from a difficult trading period in the early 1890s when 1893 had been a bad drought year, coinciding with financial difficulties in that period, the Matador's financial position began to stabilise, although earnings remained tight and in that decade dividends were paid only in 1896, 1897 and 1898.[667] The pattern of operation had become more settled within the company, with an increasingly sophisticated breeding programme being implemented on a fairly experimental basis, including the injection of the blood of big boned bulls into cattle with the objective of creating bigger boned

[667] Annual reports, Matador Land and Cattle Company.

animals capable of carrying more meat.[668] One further important internalisation occurred – the company commissioned its own surveyor, R. M. Kenney, to make accurate surveys of the land to which title was held. This was particularly important after the abandonment of range ranching and with the increasing incursion of settlers into the area – land disputes became common, particularly as early mapping of the region had not been entirely accurate. This helped the Matador to ensure that it had fenced its property correctly in a way that could be defended in court, and having a surveyor to give evidence in cases of land dispute was useful. Much to the annoyance of Mackenzie, Henry H. Campbell's first act when leaving office in 1891 had been to lay out a town site at Matador, two miles from the ranch, and petition for its recognition as the seat of Motley County, much of which the Matador ranch occupied, and having himself elected county judge.[669] For the first few years, the Matador Company secured the election of officials who favoured its interests, but after the 1896 elections the settlers held control, with the result that judges were likely to side with them. Hence it was extremely useful for the company to have a surveyor aligned with it to give evidence in court whenever necessary.[670]

7.3 How far were cattle firms such as the Matador Scottish?

The experience of the Matador suggests that Scottish owned cattle companies were capable of long run success despite the poor fortunes of many of its competitors, particularly in the late 1880s and early 1890s. The Matador endured until 1951 when, with interest in the potential of Texan oil reserves, shareholders almost unanimously

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[668] Clay, *My Life on the Range*, p. 314.

[669] *Handbook of Texas Online*, s.v. ","
http://www.tshaonline.org/handbook/online/articles/MM/hjm7.html (accessed August 18, 2008).

[670] This was useful on occasion, such as in 1903 when a suit was threatened by an S. H. Cowan over land which had previously been mis-surveyed. Southwestern Collection, A258.6B Box 13, Folder #5 - Correspondence - Arthur G. Ligertwood, 1894-1904, letter from S. H. Cowan to A. G. Ligertwood, 4th September, 1903.

voted to sell the company to a consortium represented by Lazard Brothers of London for a total price of £7,450,000.[671] The Matador was one of only two Scottish owned cattle companies to survive until after the First World War, and the only one to survive until after the Second. Of the Matador's competitors, the Swan Land and Cattle Company was the next longest surviving, being wound up in 1925,[672] while the Prairie Company managed to survive until 1914.[673] Western Ranches continued to survive but was re-formed as Western Ranches and Investment in 1911, remaining a Free-Standing Company but with a much more passive role simply as a land management company, selling or leasing its land to small settlers.[674] Of the Matador's two Dundonian competitors, the Texas Land and Cattle Company was wound up in 1908 after selling all its land,[675] and the Hansford Company was wound up in 1912 after persistently poor returns.[676]

Scottish ownership of the cattle industry in the American West declined, but cattle ranching as an industry did not decline in the western states. Many of the independent ranches which were never incorporated, such as the JA ranch in the northern panhandle, continued to operate well into the twentieth century, and some survive even today.[677] Some of the US owned incorporated firms also survived for much longer, such as the Francklyn Land and Cattle Company, which was reorganised as the White Deer Trust following bankruptcy in 1886 and eventually liquidated with the intention of exploiting

[671] *Times,* Thursday July 12 1951.
[672] NAS BT2/1225 – authority was transferred to a US Board for what remained in 1925.
[673] NAS BT2/1003/2 – Voluntary Winding Up Resolution.
[674] NAS BT2/1203, Authority to change name of company notice, 1910. Clay, *My Life on the Range*, p. 231.
[675] NAS BT2/1075, resolution 31st August 1906 to sell remaining land to Mrs. H. M. King for $797,896 and $28,404, and Voluntary Winding Up Resolution, 16th January 1908.
[676] NAS BT2/1182, Voluntary Winding Up Resolution, 12th March 1912.
[677] *Handbook of Texas Online*, s.v. "," http://www.tshaonline.org/handbook/online/articles/JJ/apj1.html (accessed August 18, 2008).

the mineral rights in 1957.[678] There is also no doubt that many of the ranches owned by Scottish companies continued as ranches after their ownership had ceased, or were subdivided into smaller properties.

As noted in **section 7.2** much of the entrepreneurial initiative for the incorporation of these ranches came from the US West itself rather than originating in Scotland. In addition, the idea that Scottish companies were floated either because of existing comparative advantage in farming in Scotland or because of the interest in opportunities to enter the export trade back to the UK would appear to have been overplayed, particularly by Kerr and Jackson. Kerr suggested that the Scots were more likely to invest in Texas, whether in cattle or in mortgaging because the Scots 'felt more at home in pastoral country than did the English'. He provides little evidence for this claim except that the Scots had already invested in pastoral activity in Australia, despite the fact that this alone does not necessarily mean that there was a link between pastoral activity in Scotland and overseas investment in it.[679]

On the Scottish side, it is true that few farms were incorporated companies at this stage so there was little opportunity for farmers to expand their businesses in the traditional multinational sense, although there were a number of large estates which had experience of operating as large livestock rearing concerns. Certainly, the owner of one of these was William Smith, of Benholm Castle, Kincardineshire, one of the directors of the Matador who appears to have gained his seat on the board as a result of his cattle breeding experience. However, apart from visiting the US on occasion with Mackay, Smith seems to have had relatively little input into how the Matador Company was run.

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[678] *Handbook of Texas Online*, s.v. "," http://www.tshaonline.org/handbook/online/articles/FF/dsf2.html (accessed August 18, 2008), Sheffy, *The Francklyn Land and Cattle Company*.
[679] Kerr, *Scottish Capital on the American Credit Frontier*, p. 51.

The Matador also did not represent any sort of use of the limited liability laws by farmers to set up a separate venture in the way that the Dundee jute owner operators appear to have done with their overseas operations – of the 531 Matador shareholders in 1889, with the exception of Smith, only 1.74% of the company was owned by people who gave their occupation as farmers, representing a nominal shareholding of £5,226.[680] Smith himself held 2.04%, or just over £6,000 – not a huge investment either. In the case of the Texas Land and Cattle Company, there might be a slightly more compelling case in that a group of eleven farmers, mostly from rural Brechin,[681] owned shares with a nominal value of £9,700, but this still represented only 2.02% of the equity.[682] Further, of the people we can assume to have had most direct impact on these companies on the Scottish side, the directors (if only because they met to discuss it from time to time) apart from Smith, had very little connection with the cattle trade. In the case of the Matador, apart from Smith one director was a general merchant, another a partner in a firm of jute spinners and weavers, one, Robert Fleming was an investment trust manager, and one, John Robertson, was a general merchant.[683]

In the context of the live or chilled meat export trades, there is little evidence that the Matador and the other Scottish cattle companies intended or even attempted to export cattle back to Scotland, or to the UK more generally. Intermediaries were already becoming organised domestically in the US in the form of the meat packing companies even in the late 1870s, and companies like Swift, Armour, Morris, Cudahy and Schwarzschild & Sulzberger were becoming increasingly organised and industrialising their production to attain a near national oligopoly in the US from the mid 1880s

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680 *The Matador Land and Cattle Company Ltd., List of Shareholders* (Dundee, 1889).
681 Brechin is a small town in Angus, 27 miles by road from Dundee.
682 *The Texas Land and Cattle Company Ltd., List of Shareholders* (Dundee, 1888).
683 Dundee Post Office, *The Dundee Directory 1876-77, Including Lochee, Broughty Ferry, Newport, Tayport and the Rural District in the Vicinity of Dundee*.

onwards.[684] By 1900 Armour, Swift and Morris had all established UK subsidiaries which specialised in the sale of chilled beef in the UK – there was no need for companies such as the Matador to use their Scottish presence to market these products, if indeed any Matador beef reached the UK.[685] After 1900 the transatlantic trade in beef, live or chilled, slowly dwindled as the growing US population consumed the supplies instead, without any need to look for an outside market.[686] The idea of ranching FSCs representing involvement in the US cattle trade by the Scottish cattle trade would appear unsubstantiated.

7.4 How Scottish were the Ranching FSCs?

Arguably more fundamental is the degree to which these companies could be considered Scottish as organisations – the degree to which there was a Scottish influence in them, and how far that mattered. The picture here is somewhat mixed - we know that there was a lot of Scottish emigrant capitalism in the US West in this period, and examples of it abound and can easily be confused with foreign investment. Some of these emigrants also came from a farming background, or had been professional farmers on aristocratic estates in Scotland and so brought certain skills or knowledge with them. In this mould was John Clay, a consultant who would fit into the Wilkins scenario of the FSC that required help from an intermediary or outside contractor. Clay was the son of a farmer from Berwickshire, and had started his career administering the estate of a neighbouring farmer. Clay was sent to the US originally as a sub-commissioner for the 1879 Royal Commission on Agriculture, which was taking some interest in the US as a source of beef supply at this time. After reporting for this, Clay stayed in North America,

[684] Chandler, *Strategy and Structure: Chapters in the History of the Industrial Enterprise*, pp. 25 - 27.
[685] Perren, *The Meat Trade in Britain 1840-1914*, p. 168.
[686] See the statistics presented by Ibid., p. 190., and Clemen, *The American Livestock and Meat Industry*, p. 291. Clemen notes that all US exports were dropping before the First World War, not just those to Britain.

working for a livestock importer in Canada for a while before being hired to inspect the property being considered for the Californian Pastoral and Agricultural Company.[687]

From this point Clay made a career as a ranching consultant throughout the 1880s, 1890s and 1900s for both foreign owned and US domestic enterprises. In this role he was given managerial authority over the US properties of the Californian Pastoral Company, the Wyoming Cattle Ranch Company, Western Ranches Ltd and later was hired to help rescue the Swan Land and Cattle Company after it was abandoned by its original promoter. Clay also built up a massive list of contacts throughout the industry from the level of the meat packers and stockyard owners, to the managers of the cattle companies and all the way down to various individual small ranchers, also helping to establish trade organisations to bring these disparate groups together.[688] By working on different ranches and with different people, he became an expert in best practice over time and was able to transfer this knowledge from establishment to establishment. Clay did not represent an internal force for any of the companies that he worked for – he was not himself sent by them, but rather adopted by them on the strength of previous achievements. Arguably this was a source of weakness as well as strength, as Clay was not able to commit to these companies full time and spent much of his time travelling between different ranches. Yet these companies required Clay's expertise precisely because of their own lack of it; Clay did enjoy some success with the Californian, Western Ranches and Swan Companies under his management, but all of these firms either failed or moved out of cattle ranching before the First World War.

At the Matador there is little evidence that any operational knowledge was transferred from Scotland, particularly as Campbell and Ligertwood, the two successive ranch

[687] Jackson, *The Enterprising Scot: Investors in the American West after 1873*, p. 79.
[688] Clay, *My Life on the Range*, pp. 112 - 118.

foremen, seem to have stuck with tried and tested techniques to run the ranch. It is worth mentioning, however, that while Campbell was American, both Ligertwood and Mackenzie's Trinidad office accountant, Henry H. Johnstone were Scottish, although they had been in the US for some time working under Mackenzie.[689] William Fife Sommerville was sent directly from Dundee by the directors, although he was less involved with the agricultural side of the firm and more with the financial and legal side – and it is here that the Scots seem to have made the most impact on the Matador as a business.

Firstly, as already discussed, Mackay and Sommerville oversaw the introduction of record keeping and accounting to the Matador ranch, despite the resistance of Campbell. Of course, this system was not introduced flawlessly – notably with regard to the failure to count the cattle owned by the company - but a system was introduced which helped the company become more effective in tracking its assets and may have helped it to survive the crisis years of 1887 and 1893. This would also have improved transaction cost economies, particularly by establishing a consistent payroll which was on paper and with standardised wage levels to prevent disputes – particularly dangerous in a situation where most people were armed and no legal organisation yet existed.[690] Of course, when Mackenzie took over in 1891 and organised a count of the stock in 1892, it was a simple matter to update the accounting system to reflect this. Mackenzie was not sent directly by the Matador directors, having been sent out by the Prairie Company to be finance manager alongside the American management.[691] He effectively represented a direct appointment to the Matador, in that Mackay appointed him after an

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[689] Pearce, *The Matador Land and Cattle Company*, pp. 7, 39.

[690] The Matador was intended to have a payroll almost from its inception – see Letter from W. Sommerville to H. H. Campbell dated 4th Dec 1883, Southwest Collection, A258 6B Box B Folder #8 Correspondence WF Somerville 1883-89. The reputation of cowboys for violence is not just fictional – Pearce quotes an interview Mackenzie gave in 1932 in which he mentioned that a foreman threatened to shoot him because his wage demands were not met. Ibid., p. 40.

[691] Clay, *My Life on the Range*, p. 131.

interview conducted in the US.[692] However, Mackenzie did not rely on the Matador's links with Scotland for any apparent knowledge transfer, although he continued to add value to the company's assets and improved the Matador product by continuing to invest in fencing, new wells and irrigation systems, through cattle breeding and ultimately by expanding the company's holdings. The required know-how and resources were easily sourced in Texas from local contractors, whom the Matador used with great success.[693]

7.5 Conclusion

The Matador has been widely acknowledged as a successful and long lived example of a Scottish Free-Standing Company - more generally, the Scottish-owned cattle companies have been noted for their contribution to Scottish foreign investment. These companies also had some role to play in the early settlement of the swathe of country running from Wyoming through Colorado to the Texas Panhandle, although as there were ranchers there already it is possible to argue that this would have happened anyway. Competition for land from settlers removed a lot of the competitive advantage of these cattle firms, particularly with regard to property rights, with management spending a lot of its time on land disputes or disputes regarding the theft of livestock from open ranges. The Matador stood out among these firms for its move away from range ranching in the mid-1880s, long before other firms in the industry did so. The Matador also led the way administratively and was unusual in appointing managers from the home country as well as having a regular discipline of visits from the company secretary and one of the

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692 Pearce, *The Matador Land and Cattle Company*, p. 44.

693 Southwest Collection, A262.3C, Box 6 Folder #2 Correspondence, MacBain, Ligertwood 1901 – 03. Letter H. H. Johnstone to Ligertwood 29th April 1902 regarding the arrangement of a fencing contractor for the Almositas Division, and the supervision of the contractor. Also letter 4th April 1902 T. L. Crews to J. McBain, confirming the price of hiring well drilling machinery.

directors, though it did have the potential weakness of always having its US Head Office based away from its operations.

Mackay's role is interesting as it suggests what potential good practice brass plate capitalism could have been like. He was effectively the main manager of the company's affairs in Scotland but not on a full time basis, acting as an intermediary between the board and the operations in the US. Mackay was there as a regulatory device for the board members who, having their own concerns to operate, did not have time to oversee what the Matador's agents in the US were doing. The board members meanwhile acted as the public face of the company to the shareholders, who never met the real entrepreneurs whom they had funded, but who were presented with impressive reports about what the management were doing. Mackay did not have an entrepreneurial role, but his function was to supervise the entrepreneurs - in the earlier period Campbell and Sommerville, later Ligertwood and Mackenzie - to make sure that they maintained transparency within the firm. This arrangement worked well after the company expanded from the management of a single property into multiple properties. The supervisory relationship already established between Mackay and the ranch superintendants kept the transaction costs of expansion low.

It is possible to argue that, for the purposes of running the Matador ranch, the Scottish Head Office was surplus to requirements – and the same would be true of a number of other ranches which were offered to Scottish investors. Indeed, John Clay notes that in some of the companies with which he had involvement the Head Office was a real burden, and that incorporation had led to extravagance as it turned simple farmers into managers. This was not just a Scottish phenomenon either – when asked to help the London based Cattle Ranche and Land Co., which had run up a $400,000 deficit on its balance sheet by 1885, Clay had to organise a whole new workforce as the previous US management had employed too many foremen and also had a costly Kansas City office.[694] On the Rocking Chair ranch, owned by English aristocrats, the management were in the habit of killing the stock for their own consumption on a very regular basis – something which would have been much less common before cattle ceased being the assets of the ranchers themselves.[695] On the Scottish side, the Swan Land and Cattle Company was a similar culprit in terms of extravagance – it had built a general headquarters, a farming headquarters, and a cattle headquarters all on separate sites; separate houses were built for different foremen (dormitories were the usual policy elsewhere) and the company paid a chef at each of its seven locations, although these constituted only one big property.[696] However, the supervisory presence of the Head Office along with the delegation of Sommerville as a close ally to the directors in the Matador's case seems to have stopped this sort of situation from developing, with most resources devoted to capital expenditure on improvements such as fencing and improving the water supply. In this way the Dundee Head Office had some positive role to play, although it is hard to suggest that the original Matador Company as incorporated in Texas would have been any worse performing had it not sought Scottish owners.

For the US range cattle industry as a whole, then, Scottish capital, management and control were probably unhelpful in the long run: many of the firms involved were not large enough to require large scale managerial organisation nor were they the large firms that the vendors made them out to be. Further, in many cases the directors of these FSCs saw them only as a form of portfolio investment. The case of the Matador would appear to be a little different - the Dundee directorship was still mostly remote

[694] Clay, *My Life on the Range*, p. 165.
[695] Ibid., p. 167.
[696] Ibid., p. 102.

from the cattle industry but skilled enough in management terms to be able to oversee the US side of the company to avoid the worst abuses of this industry. The Matador, then, could be considered at least partly a Scottish managed company, even if most of the detail of the management remained in the hands of the US personnel.

Chapter 8 - Comparative chapter: How did control vary between FSCs in different host nations?

This chapter brings together the evidence from the four previous chapters to compare the practices in internalisation and management style of the five companies studied, it also examines the impact of the Scottish Head Office on the five companies studied.

8.1 Introduction: why is control important?

This chapter will bring together the issues discussed in **Chapters 4**, **5**, **6** and **7** with regard to control in Free-Standing Companies. It will compare the practices of the five different Free-Standing Companies discussed in detail so far, with particular reference to the issue of control. So far this thesis has explored each company with regard to its headquarters arrangement, decision making process, and the actual structure put into place in each organisation. This chapter will compare these five companies, which outwardly appear very different, focusing on the fact that although they operated in geographically different places, their headquarters were all located relatively close together. From a Wilkins perspective we might expect some similarities to occur in organisation between the five companies, especially with regard to the Head Office's position within each company and the level of control that it has over the operations of the company in the field. Knowledge spillovers in terms of administrative techniques between the various Free-Standing Company Head Offices might also be expected due to their proximity. The chapter begins by examining why control is considered important in the cases of these companies.

The issue of control in Free-Standing Companies is crucial principally because FSCs are at a natural disadvantage in terms of the principal-agent problems experienced by all firms that involve more than one individual. Classically principal-agent problems occur not just because an agent is believed to be shirking when in the employ of the principal, but as a result of the principal being unable to afford to monitor the agent closely enough.[697] If it is too costly for the principal to monitor the agent, then the agent will have inside information about the value of its own performance, and as such will be able to make less effort to reach the level of output required by the principal as the principal will not be aware that the agent has failed to reach the level of output required. In a domestically based firm operating on a single site, such as the jute or linen mills which were prolific in eastern Scotland in this period, such monitoring costs did exist as these enterprises were too large for principals to be everywhere, but the costs were relatively low as firms could easily monitor the output of their employees. Strict hierarchies could be enforced through a system of foremen, and shirking would be punished by a system of bookings and fines, with dismissal as the ultimate sanction.

Where a Free-Standing Company differs is that the agents of the firm are not just on a different site, but also usually on a different continent, vastly increasing the costs of monitoring. In terms of monitoring costs an FSC is not even comparable to a firm with its headquarters on different sites: and to its operations say, for instance, a firm such as William Dixon and Sons, which had its headquarters in Govan near Glasgow but owned mines in the Blantyre, Carfin and Lesmahagow areas of Lanarkshire, about 25 miles away at the most, as well as operating mines and an iron works in Govan itself.[698] Although a firm such as Dixon's would have had higher monitoring costs over its remote establishments than over its Govan establishments, these are relatively

[697] H. Demsetz, *Ownership, Control, and the Firm* (New York: 1988), p. 123. For instance, even in a small firm it may be difficult to monitor employees adequately because it may be too costly to identify the people responsible for shirking or otherwise abusing their positions, if this abuse is at a level where its costs are lower than the cost of enforcement.

[698] A. Slaven, "Earnings and Productivity in the Scottish Coal-Mining Industry During the Nineteenth Century: The Dixon Enterprises," in *Studies in Scottish Business History*, ed. P. L. Payne (London: 1967), p. 217.

insignificant when compared to the monitoring costs of a Free-Standing Company with its operations on a different continent.

In the Dixon's case monitoring costs would have consisted mostly of salaries for its officials who would be expected to manage labour and other resources to maintain production at the levels required by head office, set according to the need for coal for the ironworks and also according to the market. These officials could be given orders and report back to Head Office via domestic post, telegram and possibly later telephone, and if required to attend Head Office for any reason, or if senior management wanted to audit the mining properties, the train journey necessary was only about two hours in each direction.[699] Additionally, banking was easy to handle as the firm's bankers would have had local branches or agents able to carry out the agent's business in the same set of accounts as the principal, and obviously the currency remained the same. The financial costs, and the time costs, of monitoring were thus relatively low, and there was probably no need to employ anyone at the head office to act as a monitor.

By contrast, monitoring for any of the FSCs mentioned in this thesis had much higher costs both financially and in terms of time commitment than for a domestic company. Further, these higher costs reduced the possible frequency of monitoring activity which may have acted as a disincentive to monitoring in some cases. In the case of companies hosted in the US, monitoring from the perspective of Head Office meant communication by international telegram, which was much slower than domestic telegram as it had to travel through more nodes, or by letter which took at least a

[699] Although Lesmahagow was somewhat remote, it could be reached in 1887 from Glasgow at 10.40am, changing at Hamilton Central from a train departing Glasgow Central at 9.05am, although trains from Govan ran to St. Enoch's, a short walk away from Central. A return was possible from Lesmaghow at 3.06pm, or perhaps more usefully 6.45pm, changing at Hamilton at 7.32pm and arriving into Glasgow at 8.15pm. A connection at St. Enoch's could be caught to arrive back at Govan at 8.44pm. Total journey time including changes was around two hours – this was a long day, but not an impossible one. Bradshaw's, *August 1887 Railway Guide, 1968 Reprint* (Newton Abbot: 1887), pp. 368, 377.

week.[700] There was no transatlantic telephone link until the mid-1920s so there was no question of direct voice communication.

Auditing was also harder and probably required at least two months of a person's time – allowing at least two weeks to travel to the location, remembering that there was not just a long sea journey from Glasgow but also a long land journey in the US, usually from New York to wherever the company properties were, and the land journey could take up to a week.[701] The California Redwood Company's properties, for instance, were particularly inaccessible, requiring not just a long overland train journey to San Francisco but also another sea journey up the coast to Eureka due to the lack of a rail connection there. Despite this, the advantage of the monitor having a long travel time to the property was that the monitor then had an incentive to spend a longer time at the property – as in the case of the Matador's secretary Mackay spending four weeks a year at the Matador ranch.[702] Although there is not much evidence surviving of how FSCs handled bank accounts, banking would have been more complicated for companies hosted in the US because of the need to hold accounts with local banks. Capital could be sent to the US and profits sent back by wire transfer; at least in this period the existence of the gold standard, adopted by the US in 1871, meant that exchange rate fluctuation was not the problem that it would have been before 1871 or at present.[703]

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[700] See Standage, *The Victorian Internet*, pp. 88 - 99.

[701] Travel times to New York depended on sea conditions. However, this was made up for in terms of frequency and reliability – the Anchor Line offered weekly services departing every Thursday from 1875 onwards, on a regular basis until 1956. See R. S. McLellan, *Anchor Line, 1856-1956* (Glasgow: 1956), pp. 44, 136-137. A competitor, The State Line of Steamers, also offered a weekly service, in 1887 at least. Bradshaw's, *August 1887 Railway Guide, 1968 Reprint*, p. 453.

[702] See, for instance *Copy Report by Messrs G. Halley and A Mackay, to the Directors of the Matador Land and Cattle Company, Limited*, appended to the 1887 annual report, p. 9. In addition a Matador director stayed for at least two weeks.

[703] The Dollar/pound exchange rate fluctuated only very slightly in the 1880s. Scottish capital entered the US after the dollar's value to the pound had risen sharply in the late 1870s, rising from £1=$5.59 in 1875 to £1=$4.89 in 1878. After that the rate stayed in the $4.85-$4.89 range until 1914. Lawrence H. Officer, *Dollar-Pound Exchange Rate from 1791* (2008 [cited 16th December 2008]); available from http://www.measuringworth.org/exchangepound/.

In Australasia currency fluctuation was not yet an issue, as neither Australia nor New Zealand had a distinct currency as yet and so there was not even the cost of conversion to worry about. The Australasian banking system was distinct, however, and the cost of monitoring activities there higher again than in the US. Funds were transferred back and forth in the form of cash or as credit notes. As previously noted in Chapter 3, communications with New Zealand in particular were unreliable, and letters seem to have been sent in duplicate via San Francisco and Brindisi in Italy to ensure that they arrived, also taking about two months to travel.[704] Telegraph did not reach Australia until 1871, five years after the original NZALC was formed, and New Zealand even later. Additionally many of the NZALC's farms in both countries were some distance from a telegraph office and other communications. Auditing was rare in the Morton period for the NZALC and the C&O but relatively frequent under Davidson, who regularly travelled backwards and forwards between Australasia and Scotland, despite this taking up to three months every time.[705] The cost of this auditing was thus very high in terms of time, and financially in terms of paying for Davidson to travel – but his familiarity with Australasian conditions as an experienced insider was one of the factors which qualified him so well for the role.

Control is clearly important because it allows a firm to develop a framework to reduce the costs of monitoring, and in this way can help to reduce principal-agent problems. Control is partly achieved by incentivising agents to create institutional cohesion; another element seems to be more cultural. To investigate this, this chapter will also

[704] Mails were sent via the port of Brindisi as the overland rail journey from Calais to Italy was faster than the sea journey.

[705] Shipping times to Australia and New Zealand were very uncertain in this period, and no direct sailing from Scotland was possible – sailings by the Peninsula and Oriental Steam Navigation Co from London to New Zealand via Australia were available every second week, the Orient Line also offered a sailing every two weeks to Australia, while the New Zealand Royal Mail Line, operated by The New Zealand Shipping Company Ltd. operated a direct service to Wellington every four weeks from London. Bradshaw's, *August 1887 Railway Guide, 1968 Reprint*. A monthly frequency such as this would require very careful planning of travel arrangements.

compare how Scottish these companies actually were institutionally, particularly with regard to their recruitment policies, but also in terms of their interaction with local institutions. The chapter will use the following three core questions to examine the level of control exerted by principals, or the Scottish Head Office of these FSCs:

1. At what level do principals control decision making?
2. How far do principals internalise information flows?
3. Does the principal have a positive role in the organisation?

This chapter will now examine these questions in turn, contrasting the approach taken by each company.

8.2 At what level do principals control decision making?

The role taken by principals in decision making in any organisation is important. In his examination of successful domestic companies in the US, Chandler drew much attention to the importance of decision making and its delegation.[706] For Chandler delegation was important when a company operated over more than just a single site and clearly this has importance too for Free-Standing Companies operating over long distances as well as on multiple sites. Many of the companies studied by Chandler (most classically DuPont and General Motors) also developed into very large organisations before they adopted the M-Form structure as a solution to the problem of the dilution of managerial authority which can develop when a number of large firms are merged. In this thesis the situations coming closest to this combination of a large number of individual units have been the Canterbury and Otago Association, the New

[706] Chandler, *Strategy and Structure: Chapters in the History of the Industrial Enterprise*. For a particularly good example on this, see **Chapter 3** on General Motors, pp. 114-162.

Zealand and Australian Land Company, and the Californian Redwood Company, and for all three of these companies the division of managerial authority was difficult to define initially.

Both the C&O and the NZALC represented multiple mergers of a number of different 'associations' and private holdings of land in both Australia and New Zealand. These holdings varied widely in terms of their climate and suitability for agriculture as well as the level of development within them and the potential for such development. As both colonies represented frontier territory of very recent western settlement, the staff inherited from the previous owners also showed a lack of experience both of large scale farming and of the conditions specific to both countries. This was a particular problem for the NZALC which found itself with numerous properties in the cold and wet climate of Southland in New Zealand and in the arid inland regions of Australia. For the C&O, with its four main estates concentrated in the more fertile Canterbury region, management was a little easier. The shared Head Office under James Morton of the two companies in Glasgow also started out relatively inexperienced in FSC management. There were some initial problems, in particular a suboptimal allocation of resources, as a result of a misallocation of funds immediately following incorporation – most notably in the early purchase of steam ploughs by Morton for the New Zealand properties, made in 1866 at a cost of £4,000.[707] The land on the vast Edendale estate in particular proved to be too boggy for these steam engines which simply sank into the mud, and they then languished in storage before being sold on to a sawmill in 1872.[708] Local management was also given funds in excess of requirements.[709]

[707] NAS GD435/6 minute of NZALC Board meeting, 19th November 1866.
[708] NAS GD435/7 minute of NZALC Board meeting, 6th December 1872, Davidson, *William Soltau Davidson, 1846 - 1924*, p. 87.
[709] Ibid., pp. 85-86.

Davidson later claimed that the Invercargill agent of the company had been much too extravagant in this period, and reports filtered back to Glasgow of overspending, particularly on unauthorised land purchases, fencing, livestock, and managerial quarters.[710] However, almost immediately after incorporation, the board had begun work on devising the hierarchy to be used in both New Zealand and Australia, with Morton drafting a set of rules and regulations for the conduct of business in New Zealand as early as December 1867, which were quickly approved and copies dispatched to the agents, inspectors and managers of the company in New Zealand.[711] This was accompanied by the appointment of a Colonial Agent (with travelling and office expenses paid alongside a normal salary of £2,000) intended to travel between the properties in a supervisory capacity.[712] Despite this, the company fell out with its first colonial agent over an alleged misappropriation of funds initially, suggesting that the board having its own man in New Zealand was not necessarily the total solution to the problems.[713]

Despite the early difficulties, a system gradually evolved at both the C&O and the NZALC whereby most major decisions about investment were referred to Head Office back in Scotland, along with the regular sending of reports and accounts, and this system was maintained after the two firms merged in 1877. Most important were decisions relating to any form of land transaction, as they were at the heart of both companies' asset base – but even transactions of less than an acre were relayed to Glasgow for board approval, with exact measurements in roods and perches and details

[710] NAS GD435/7 minutes of NZALC Board meetings 30th December 1867, 4th February 1867 and 24th February 1868, Ibid., pp. 85 - 86.
[711] NAS GD435/7 minutes of meetings of NZALC board 30th December 1867, 31st January 1868.
[712] NAS GD435/7 minute of meeting, of NZALC board 31st January 1868.
[713] NAS GD435/7 minute of meeting, of NZALC board 4th July 1869.

on who the land had been sold to or purchased from.[714] This continued especially when the company had later shifted its focus in New Zealand from agriculture to real estate.[715] Similarly, most capital investment projects were put before the board for consideration – such as the boring of wells in Australia and the construction of a dairy products factory in New Zealand.[716] From the early 1880s onwards Thomas Brydone, the New Zealand superintendent, sent his plans for the agricultural year ahead to Glasgow to be approved by the board, and the board generally approved the manager's plans regarding wool exports.[717] In this period Davidson frequently made important 'on the ground' decisions during his visits to Australia and New Zealand. This is not to say that the company was completely centralised around its Head Office – though the Head Office held plans of the actual estates, the detail of how the estates were run was left to a large degree in the hands of management on the ground themselves as long as they remained productive – although control of their remuneration packages remained in the hands of Head Office as an incentive.[718]

On the US side the closest arrangement in terms of control over decision-making to that of the NZALC was that used by the Matador Land and Cattle Company. Here Mackay as Company Secretary based in Dundee performed a role that may appear similar to that of the general manager at the NZALC or the C&O: he acted as an intermediary between the board and the US manager in terms of information. Mackay received

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[714] Such land conveyances were frequently reported, especially after 1877; see NAS GD435/11, 'NZALC Board Meetings Minute Book 1877-1886.'

[715] This transition started when Davidson advocated the sale of less easily accessible land in his *Private Report on the Estates belonging to the New Zealand and Australian Land Co. Ltd*, of November 1878. Davidson visited every single NZALC property in the preparation of this.

[716] For example, for wells see NAS GD435/11 Minutes of Meetings of NZALC Board of Directors 12th October 1880 and 13th November 1883; for the dairy factory see NAS GD435/12 Minute Book 2 1st March 1887.

[717] The agricultural plans were generally approved in January to be put in place from March, from 1882 onwards. See NAS GD435/11 passim. Wool was frequently referred to, but a good example would be the Board meeting of 13th November 1883, which approved Davidson's plans to bring home 1,000 bales of wool.

[718] For instance, see NAS GD435/11 when at a meeting on 14th September 1886 the board approved the appointment of a new inspector for the Wellshot estate in Queensland, with a salary not to exceed £400 per annum.

correspondence from the Matador's US managers, including the agricultural and financial results as well as some more general correspondence about improvements and so forth, but did not have an active managerial role himself.[719] His function was more to act as a spokesman for the directors than actually to manage – this was left to the manager on the US side, who could be more independent in terms of resources than the NZALC's managers in Australia and New Zealand could be.

A crucial difference here is that until 1902 the Matador remained a single estate organisation, although a relatively big one, and as such had no problems of co-ordination between estates as did the NZALC. At the same time, however, the entire capital of the Matador was invested in this single estate and herd, perhaps meaning that devolving management to the US side was more risky – therefore the close supervision of the manager and ranch superintendent by the secretary made sense. An example of this supervisory arrangement would be Mackay's early insistence to the ranch supervisor, Campbell, that he refer all expenditures of over \$500 (just over £100) to the US manager for approval – not back to Scotland.[720] Therefore Campbell was being very tightly monitored by the manager rather than the secretary – the manager was deciding how to allocate the resources, while the secretary was simply trying to ensure that the manager monitored the superintendent's use of resources. Mackay was very thorough in terms of monitoring – in reality his main time commitment to the Matador Company must have been his visit to the ranch every autumn, on which he was always accompanied by one of the directors. It is worth noting, however, that in contrast to Davidson, who had started his career as a cadet labourer for the C&O and had become something of an expert in farming in Australasia, Mackay and his director companion

[719] Examples can be found in The South West Collection, Texas Tech University Archives, Lubbock, Texas, copies held by the University of Dundee Archive Services, A258 6B Box 13 Folder #8 Correspondence WF Sommerville 1883-9.
[720] Pearce, *The Matador Land and Cattle Company*, p. 18.

came from a mercantile or clerical background, and so it must have been easy to conceal problems from them, particularly in the earlier days of the Matador.[721]

The two companies studied in which the Scottish principals reserved least decision making power for themselves were the California Redwood Company and the Arizona Copper Company. These companies were closely related to the Scottish American Investment Company and the Scottish American Mortgage Company respectively. Both represented diversifications for their management, although not for the investment trusts themselves. This influenced the management style of the directors, who again relied upon their secretary to receive correspondence from the US, but there is no evidence that this secretary was expected to do much of the actual monitoring work as in the Matador case.[722] Although some financial data was sent back, and some correspondence would have taken place (of which, unfortunately, none survives), the main monitoring activity carried out appears to have been in the form of visits. In the case of the CRC, the actual directors themselves, or emissaries appointed by them, visited Eureka and the company's wider forestry properties on two separate occasions – but, critically, the representatives sent on the two visits were different, meaning that the management at Eureka could exploit the unfamiliarity of their visitors.[723]

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[721] For notes on Davidson's background, see his memoirs, Davidson, *William Soltau Davidson, 1846 - 1924.*, especially the earlier chapters, although he makes reference to his early career throughout the book. Davidson, however, lacked any formal financial background, unlike Mackay who was a chartered accountant and whose practice, Mackay and Mess, shared the Matador's Dundee Head Office – see *The Matador Land and Cattle Company Ltd. First Annual Report* (Dundee, 1884), p. 2. Dundee City Library, Lamb Collection, Cat no 200 (35).

[722] The secretary of The California Redwood Company was J. Campbell Penney, also a chartered accountant, see NAS GD282/13/143 *Report by the Directors of the California Redwood Company Limited, for the period ended 31st December 1883*, which was authored by Penney.

[723] See NAS GD282/13/143 booklet *The California Redwood Company Limited: Report submitted to the shareholders by Messrs Blyth and Menzies on their return from California* and NAS GD282/13/143 – *Report to the Directors of the California Redwood Company Ltd., by John Blair and Francis More*, dated 4th December 1884, p.2.

The CRC's operations remained within the control of the original promoters, and agents, San Francisco based Faulkner, Bell & Co, although they themselves had little communication with Eureka. Similarly the ACC sent a chartered accountant to Arizona to interview the incumbent manager, Mr Wendt (inherited from the previous owners), and the mine captains about the prospects of the mines.[724] The ACC went furthest in attempting to control the actions of its manager in Arizona, firing him on the grounds that he was not operating the mines profitably enough, even though much of the evidence suggests that he was actually trying to maximise profit by winning refining business from other mining concerns in the area.[725] From the beginning Wendt had received little support from the Edinburgh directors, who simply appear to have assumed that he would be able to exploit all 66 mining claims purchased by the company straight away.[726] Significantly, the smelting superintendent, James Colquhoun, was Scottish, and, after the ACC's reconstruction in 1884 with cross funding by a trust company, George Auldjo Jamieson as chairman helped to strengthen links between the Head Office and Arizona, although effective authority over organisation seems to have remained at Clifton. Later, in 1892, Colquhoun was appointed general manager at Clifton by Jamieson.[727]

[724] NAS GD282/13/155, *Report by J. A. Robertson, C. A., Edinburgh to the Directors of the Arizona Copper Company Ltd.*

[725] NAS GD282/13/155, *Memorandum by the Chairman of the Arizona Copper Company,* January 1884. It was mentioned that Wendt was trying to attract smelting business from outside, although the Chairman, George Auldjo Jamieson suggested that Wendt was doing this because the copper reserves were not as rich as originally thought.

[726] NAS GD282/13/158, Arizona Copper Company Ltd., Copy Minutes and Excerpts, p. 1.

[727] Hyde, *Copper for America: The United States Copper Industry from Colonial Times to the 1990s*, p. 130.

8.3 How far do principals internalise information flows?

Closely related to the question of how far down the structure principals were able to reach is that of internalisation. According to Coase, firms internalise functions or information to reduce transaction costs, internalising if the marginal cost of an additional transaction exceeds marginal revenue or advantage.[728] When a firm internalises transactions it is supposed that if a transaction occurs within the firm then instead of being a market transaction it becomes only an accounting transaction.[729] Free-Standing Companies are often unusual in terms of internalisation, particularly as many FSCs, such as the CRC, relied on local agency firms that were not direct employees of the firm to provide some management functions in host countries. More generally, in the Free-Standing Company scenario the Head Office is often either seeking access to a certain resource or attempting to exploit a certain market, and hence the actual resources are brought within the firm along with control of information over them. For instance, the NZALC and the C&O both took direct control over sheep farms, rather than simply purchasing wool from New Zealand or Australia on the open market. Clearly the intended market for the products of each company had an impact on the structure chosen for each company and hence on the importance of information within them – the C&O and the NZALC were crucially different from the others looked at here in this respect: their focus was firmly on the woollen export market to the UK, as well as the meat extracts market and later the frozen meat and dairy products markets. At the Matador there was no apparent intention to export beef to the UK, the focus being on the expanding meat packing trade in the US. Meanwhile, the CRC had some ambitions to export to the European market generally but also to the Australian market, but its directors suffered from a low awareness of the potential of any of these

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[728] R Coase, "The Nature of the Firm," *Economica* New Series 4, no. 16 (1937).
[729] See Milgrom and Roberts, *Economics, Organization and Management*, pp. 78 - 83.

markets.[730] As a copper producer, the ACC could technically have had global ambitions, but evidence suggests that its main customers were copper merchants on the eastern seaboard of the US.[731]

The Matador, the CRC and the ACC were therefore much more reliant on creating their own linkages to procure information about market conditions in their host countries than the C&O and the NZALC were. Often some external agency was more important for doing this than an internal agency. The Matador was relatively successful in linking in with other players in the market, particularly in forming its partnership with John Clay of Western Ranches throughout the 1890s for fattening on Western Ranches' range in Wyoming and South Dakota before having Clay sell the cattle at market in Chicago. Later Clay continued to act as a selling agent for the Matador. By the early 1900s the Matador was also co-operating closely with neighbouring ranches, which were not seen as competitors, and information seems to have flowed between the Matador and its neighbours relatively freely, with Mackenzie and neighbours such as Fred Horsburgh of the Espuela Cattle Company frequently exchanging information as to the prevailing conditions and the calf crop, and frequently meeting socially as well.[732] As noted above, there is some evidence that the ACC had established contacts with chemical producers in the US, although the Edinburgh board seem to have done little to

[730] Mitchell Thomson, a timber merchant from Edinburgh, had been sent to inspect the CRC's forestry properties but admitted that he had little idea about the likely production cost of this wood, except that the transport costs even to San Francisco seemed high compared to the costs of importing wood to Scotland from Scandinavia. NAS GD282/13/143, *Report submitted to the directors by Mr. Mitchell Thomson on the Preparation and Marketing of the Lumber*, 30th June 1884, p. 9.

[731] NAS GD282/13/156 – book of telegrams relating to the failure of Messrs Pope, Cole & Co., copper merchants in Baltimore.

[732] For example, Southwestern Collection, A258.6B Box 13, Folder #5 - Correspondence - Arthur G. Ligertwood, 1894-1904 –letter 19/04/1903 from Fred Horsburgh to Ligertwood. In this letter Horsburgh mentions the conditions of the horses on the Espuela ranch and the condition of the grass there.

encourage the original ACC to make linkages, believing instead that if production was maximised then sales would look after themselves.[733]

The ACC had a potentially useful US contact in its promoter, Frank Underwood, but as with cattle Underwood's interest was merely a financial one, and he attempted to sell his interest in the ACC as soon as financial problems started to arise.[734] The CRC also had a lot of potential for local linkages with Faulkner Bell & Co., although they appear to have done little to find outlets for the lumber once it reached the company's yard at Tormey on the Central Pacific Railroad, and depression in the lumber market was used as an excuse.[735] The CRC might, of course have been more successful in marketing their timber if they had managed to produce it in quantities that were viable to export; as already noted, the CRC had a timber merchant on their board who might have been able to find the right linkages to exploit a wider market in the UK.

Back at the NZALC in the 1880s and 1890s Davidson was increasingly successful in marketing the company's meat imports in this way through his directorships at Nelson Brothers and the Colonial Consignments Company, both emerging refrigeration firms which froze carcasses in New Zealand before transporting them back to the UK where they distributed them via their own cold stores. This network was particularly useful after the NZALC stopped chartering its own vessels for frozen exports in 1889.[736] However, Nelson Brothers in turn were not as successful as some of the English South American hosted FSCs/multinationals which were exporting frozen or chilled meat to

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[733] NAS GD282/13/154, memorandum by the Chairman, Arizona Copper Co, January 1884. It was noted that the company had overspent in buying the mines and building the railway and smelters, when policy should have been much more conservative, as it was now thought that the mines did not have the production potential originally forecast.
[734] NAS GD282/13/154 Agreement between Arizona Copper Company and Frank Underwood, dated 16th May 1884.
[735] NAS GD282/13/143 *The California Redwood Company Limited: Report submitted to the shareholders by Messrs Blyth and Menzies on their return from California*, dated 21st June 1884, p. 9 and 10.
[736] Davidson, *William Soltau Davidson, 1846 - 1924*, p. 44.

the UK market in the same period, such as James Nelson and Sons Ltd., which owned over 1,000 retail outlets for its own products in the UK by 1914.[737] It would be misleading to suggest that the NZALC were a market leader in the frozen meat industry, but they had played an important role in opening it up, and entry to this and the dairy industry had only been possible for the NZALC because of the structure they had already created to manage information about the state of the wool market.

8.4 Does the principal have a positive role in the organisation?

In her 1988 article Wilkins identified a number of FSCs of English origin which were hosted in the US between 1870 and 1914, and many of which moved their headquarters function across to the US after a few years of operation because they found that the English headquarters restricted their competitive advantage, often fulfilling no useful role for the company.[738] The headquarters element is what differentiates a Free-Standing Company from being a form of portfolio investment – and Scottish investors had, of course, already successfully owned shares in foreign companies, most notably in the US. According to Michael Porter, the country that a company's headquarters is located in can often lend it a specific competitive advantage if that country's home market is one that lends itself to particular types of innovation in the sector that the company is working in.[739] Free-Standing Companies do not have the head start of a home market, so for FSCs having a home advantage to export is more difficult. Further, if we know how far down inside the organisation principals had effective control, then it

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[737] Perren, *The Meat Trade in Britain 1840-1914*, p. 211. James Nelson and Sons appear to have been unrelated to Nelson Brothers Ltd.
[738] Wilkins, "The Free-Standing Company, 1870 - 1914: An Important Type of British Foreign Direct Investment," p. 276.
[739] Michael Porter, *The Competitive Advantage of Nations* (Basingstoke, UK: 1990), pp. 67-68. Porter used Head Office as his definition of the nationality of a firm.

is useful to look at what this control was used to facilitate to draw conclusions about its usefulness in terms of company performance.

The role of the Head Office in monitoring home markets for the C&O and the NZALC while the other companies looked at had to rely on local linkages has already been mentioned above. Developing this further, the Head Office might potentially have had an important role in recruiting personnel to send to host countries and then supporting them by sending resources and know-how. In terms of recruitment, the C&O and NZALC were most visibly active of the companies studied here in recruiting in Scotland people to fill senior positions in Australasia . Both of these companies took a career approach to recruitment as well – W.S. Davidson's recruitment in Scotland by Morton and his apprenticeship working among the shepherds for the C&O before rising through the ranks of management has already been described; if the company was willing to do this for Davidson, it seems likely that others were taken on similar terms, particularly in the early days when farm labour was particularly scarce with most mobile young men already in Australasia distracted by gold rushes.[740] Although a number of managers were inherited from the previous associations, dismissals were rare – this may suggest weak monitoring, but it is also the case that the NZALC gradually developed a pension and benefits system to keep management employees loyal for the long run. Later, as the NZALC broke up its New Zealand properties, some of these managers bought the remains of the estates from the company and continued them on their own terms – back in the 1880s Davidson had already stressed that the managers should run the properties as if they were the proprietors.[741] Davidson also encouraged

[740] Belich, *Making Peoples: A History of the New Zealanders from Polynesian Settlement to the End of the Nineteenth Century*, pp. 345-349.
[741] NAS GD435/13 Minutes of NZALC Board Meetings after 1900 - on 8th March 1904 the Board gave approval for Mr. Orbell, the manager of the Levels, to purchase outright the remaining 863 acres of the estate and the manager's house.

the managers to keep a diary so that it could be used as the basis of the accounting statements and reports to be sent back to Head Office regularly.[742]

The NZALC Head Office by this point was without a doubt the most substantial of any of the Head Offices, taking up an entire property, owned outright in Edinburgh's New Town, where it employed at least four senior clerks working under the company secretary.[743] These clerks dealt with the financial and regulatory side of things, including applications and payments for NZALC debentures, but they also assisted in the collation of data about the company and produced regular accounts on a farm by farm basis, as well as assisting Davidson in dealing with wool dealers and other sales agencies in the UK.[744] These clerks were probably also responsible for the day to day administration of procurement for equipment, seeds and breeding stock sent to Australasia.

This contrasts with all of the other companies looked at in this thesis, which did not outright own their registered head office, or any other property in Scotland, with all the sunk costs for the company that that entailed. The internalisation of the NZALC Head Office seems to have been a measure taken by the board after Morton's imprisonment following the City of Glasgow Bank failure; Morton had based the original Head Office and shared secretariat of the NZALC and the C&O at the office of his firm James Morton & Co, which collapsed along with the bank. As well as the reputational impact, the newly merged company lost its use of the premises. Although temporary headquarters were found in Glasgow, the fact that the directors were prepared to move

[742] NAS GD435/611/13 Letter from WS Davidson to the managers of all estates in New Zealand, dated 25th August 1887.
[743] See for instance GD435/12, when the board agreed to increase the salaries of the four clerks employed at the Edinburgh office.
[744] Many of these accounts and maps now survive in the GD435 collection at NAS.

to Edinburgh and purchase new premises suggests that the Head Office of the NZALC had already started to develop in terms of its central importance for the company.[745]

By contrast the Matador did not purchase its Head Office, but instead operated from the accounting practice of its secretary, Alexander Mackay, who probably used his clerks to do some of the related administration of this comparatively smaller operation. In terms of turnover the Matador had £30-40,000 a year in the mid-1880s; the NZALC and the C&O were already turning over more than £200,000 by 1880; this is alongside the fact that the NZALC was a more complex operation.[746] The other two US companies looked at were similarly small relative to the NZALC in turnover terms – the CRC turned over just over £66,000 in 1883, and exact figures were not available for the ACC which itself is a sign that such records were perhaps not even kept in Edinburgh; there was no legal obligation to file a profit and loss account or even a balance sheet.[747] It is possible therefore to argue that these companies did not require such a permanent base; the ACC shared its head office with the Prairie Cattle Company until 1885, and the CRC shared its headquarters with three others.[748] Savings could also be made here by the syndicates of directors in question by sharing the secretariat between companies, something that would not have been possible or necessary for the later NZALC.

It could be argued, then, that these companies were acting rationally in that the size of their Head Offices were proportional to their companies simply from the accounting and

[745] NAS GD435/11 – the NZALC board first met in Edinburgh at a temporary Head Office on the 1st July 1879. The eventual Head Office, 54 Castle Street, was purchased in 1884.
[746] See Annual Reports and Accounts, The Matador Land and Cattle Company 1883, 1884, 1886 and 1887, in the Lamb Collection, Dundee Public Library; for the NZALC NAS GD435/2 8th January 1877 presented a useful four year set of accounts, which are reproduced in Chapter 4.
[747] NAS GD282/12/143, Profit and Loss Account, San Francisco Office, as at 31st December 1883.
[748] The CRC (registration file BT2/1261) shared 123 George Street with the California Pastoral and Agricultural Company Ltd., NAS BT2/1129, the Scottish American Land Co Limited, headquartered at 123 George Street from 1881 and the Scottish Pacific Coast Mining Company Limited – see NAS BT2/957 and BT2/1018 respectively. The ACC shared 62 Frederick Street with the Prairie Cattle Company – see BT2/1003 for the Prairie, and BT2/1144 for the ACC.

administration side. The C&O and the NZALC had also shared a Head Office in Glasgow for this reason; the C&O was probably too small to require its own Head Office, and it was a similar business to the NZALC with some overlapping shareholders and directors, so it made sense for the management and secretarial functions of both companies to be contained within a single practice.[749] By contrast the multi-headquartering of the Edinburgh syndicates did not have as much potential for synergy; although all of the businesses headquartered together were in extractive industries and were hosted in the same country, their activities were quite different and required different competences.

In addition the NZALC and the C&O were different in that even when they had a combined Head Office, they were actually and actively being managed from their headquarters by Morton and Davidson. From a procurement point of view the transaction costs for these managers to be based in Scotland were lower than if they had been based in either Australia or New Zealand. Although the problem of distance would then have been reduced, the company would still have required some form of procurement agent in Scotland to source inputs that were not available in Australasia. These included the English grass seeds used to improve pastures, Lincoln rams to improve the quality of the company's livestock, agricultural and pumping equipment, and even weasels used for pest control, and all of these inputs were important in adding value to the NZALC's business activities. Davidson technically offered the best compromise between a manager totally based in Scotland and one based in Australasia, as he travelled between the two countries frequently and was able to use his knowledge of Australasian conditions to choose the best input for the situation. This differed from

[749] For instance, the chairman Robert Stewart was Chair of both companies and James Morton managed both.

the other companies looked at here; although the principals involved frequently visited the operations in the US, they did not have any procurement role.

The procurement, organisational and administrative role of the C&O and the NZALC Head Office, then, contrasted with the Head Offices of the ACC and CRC which existed effectively for regulatory purposes. Under the Companies Act 1862 and its later versions companies were required to file a Head Office address, but not required to carry on any activities there. This minimal presence could, however, be used to reassure shareholders about the trustworthiness of a company – especially as a prestigious address in Edinburgh could be rented or shared with an accounting or legal practice. This Head Office and the Edinburgh board and shareholding it represented could then be considered less helpful to the ACC and the CRC as firms in terms of creating an effective incentive structure. The Matador's Head Office, with its more active supervisory role, represented a more effective middle ground and it is difficult to see why other Free-Standing Companies did not follow this sort of model more often.

8.5 Conclusion

The C&O and the NZALC before merger, and the NZALC after merger, were effective in developing a long term incentive based control system. This happened despite the fact that the costs incurred in doing so were theoretically higher in terms of distance, but both companies managed to gradually devise a workable system to incentivise their senior managers in New Zealand and Australia in the long term. This is not to say that these companies were perfect in doing this, but both managed to establish a situation where the cost of monitoring was sufficiently low to be worthwhile. By comparison the Matador was also relatively successful in establishing such a structure although monitoring was made a little more expensive initially than it might have been through the insistence that the company have a separate Head Office in the US from its ranch, creating additional monitoring costs between ranch and Head Office when the ranch itself was difficult to communicate with. The NZALC had separate agency and then permanent offices in Dunedin and in Melbourne, and later in Sydney, but then the NZALC had a wider portfolio of properties and many more staff to administer. In addition the base in Dunedin was a useful position for coordinating exports, Dunedin being New Zealand's leading port and commercial centre in earlier years, and Melbourne holding a similar status in Australia.

It is unclear that either Fort Worth or Trinidad were particularly well placed for the Matador in this regard, although Mackenzie did insist on the move to Trinidad because it was closer to markets.[750] The CRC also had a separate managing agency, Faulkner, Bell & Co, in San Francisco, which was well placed for marketing but again suffered from communication difficulties with the effective headquarters at Eureka. The CRC was less competent at incentivising Russ & Co to act as their agents to help in monitoring Evans at Eureka. Evans was appointed because of his experience in the lumber trade but was largely ineffectual as a manager, spending large sums without much return, on projects which may not have been viable or even necessary, such as the construction of logging railways which were prone to being washed away.[751] The Edinburgh office itself was happy to accept Evans' expertise in this and assume that he was doing the right thing, instead of setting more firm and achievable performance targets. Similarly the ACC management at the Clifton site was left uncoordinated by

[750] Pearce, *The Matador Land and Cattle Company*, p. 39.
[751] See NAS GD282/13/143. *The California Redwood Company Limited: Report submitted to the shareholders by Messrs Blyth and Menzies on their return from California*, p. 11-12. The railway in question had already been washed away on a previous occasion. Meanwhile a telephone system was set up at Eureka, but there was little mention of communication with San Francisco.

the Edinburgh office; management there were again paid a salary and given accommodation but no guidelines on what was expected of them.

The NZALC organisation was also more effective at internalising information flows, and this also helped with monitoring. Monthly reports were used by the New Zealand superintendent Thomas Brydone to help plan production centrally in New Zealand, and these plans were approved by the Edinburgh Head Office,[752] so that it had a stronger hand in ensuring that production was well tuned to demand, although it could not predict the weather conditions that would prevail during the agricultural year. The NZALC could gradually forecast the possible weather conditions more accurately because of their record keeping, and could predict more ably when poor seasons were likely to occur. In addition the NZALC used the scale of its operations to avoid the worst effects of bad weather, such as droughts, in the long term developing a chain of properties in Australia which would allow stock to be moved according to prevailing weather conditions.[753] The Matador also kept records and gradually became more skilled in avoiding the worst effects of bad weather, although this only really became possible after the company started to expand its holdings from a single site. In terms of accessing the wider market the Matador was forced to make linkages in the US – its Dundee office could not be expected to have any role in this, although perhaps could have chosen to do so had the company decided to export beef to the UK.

Some externalisation was needed here, particularly through its deal with Western Ranches Ltd. in the 1890s as the Matador did not have its own sales force in Chicago, effectively the centre of the US meat trade as the meat packing industry became more

[752] These plans were not always completely approved – often the board approved the plans in outline, but sent further recommendations, such as in 1891, when it was recommended that in addition cultivation be increased. NAS GD435/12 minute of meeting, 10th March 1891.
[753] Davidson, *William Soltau Davidson, 1846 - 1924*, p. 160.

industrialised in the 1880s and 1890s.[754] Sales were also not internalised for the California Redwood Company, which proved poor at gauging market demand – although the board did attempt to oversee the display of some of the wood at a forestry exhibition, they did not take responsibility for marketing the timber in the UK as they might have done.[755] The ACC meanwhile remained mostly a production oriented organisation, without much focus on sales or finding regular customers; the Edinburgh head office was of little help in this, not even helping to find the ACC contacts within the large Scottish or wider British chemical industries. The US managers at the CRC and the ACC were given little incentive to match production with demand; additionally the Head Offices of these companies were not as effective at monitoring the financial position of their agents – financial problems came as a surprise to the CRC's Edinburgh board in particular.

The role of the Head Office within the five companies studied in this thesis was pivotal in their success or failure. The C&O and the NZALC were successful in the long run because their Head Office acted as the centre of the company and helped to unite what would otherwise have been a disparate set of different firms into two effective units by the mid-1880s – one side in New Zealand, the other in Australia. This transformation was not instantaneous but occurred gradually when agents were given a clear career path with long term goals. In addition a feeling of commonality and company culture evolved, particularly with Davidson visiting frequently rather than being an invisible principal sending down orders from unseen heights. In New Zealand after 1879 agents were also given the long term incentive that they could eventually become the owners of the property that they were responsible for; the possibility of separation for parts of the

[754] Pearce, *The Matador Land and Cattle Company*, p. 92.
[755] NAS GD282/13/143, Report of first AGM of the California Redwood Company, p. 10.

company was not considered as an incentive for the agents in the other companies looked at here.

The Head Office of the NZALC did not just expect to receive profits but was an important part of the company, sourcing expertise and raw materials as well as providing an institutional bond, and the entrepreneurial impetus behind the NZALC came not from New Zealand or Australia, but from Scotland. The Matador's Head Office was not entrepreneurial but did help to encourage a sense of belonging and commonality within the Matador organisation; the secretary and directors visited Texas regularly to create this feeling of commonality, The Matador represented something of a half-way house between the NZALC model of the FSC with a very active Head Office, and the ACC or CRC model where the Head Office was only very representative. For both the ACC and the CRC, the Head Office was effectively only seeking rent from the firm; it represented an imposition in expecting only to collect profits (although after having channelled the capital) but not to actually have to facilitate the development of the organisation in any way.

Chapter 9 – Conclusion

This thesis has confirmed that the Free-Standing type of company was commonly headquartered in Scotland in the late nineteenth century, and that, while the United States was an extremely important host economy, such activity was not confined to that country. Thanks to Turrentine Jackson's pioneering work of 1968, much of the focus of Scottish historians on this subject has been on those companies that invested in the US. **Chapter 3** of this thesis noted that while the US was the most popular country for Scottish FSCs, it was not the only country in which the enterprising Scot aimed to gain returns. In fact the US hosted only 37% of the FSCs examined here, still the most important host country, but leaving another 63% unaccounted for. Canada and India were also important fields of endeavour, although companies investing in Canada were distinctly less successful than those investing in the US. Australasia, in the late nineteenth century considered more of a single field of activity than today, was not as important in terms of the absolute numbers of company formations but was certainly important in terms of the value of capital invested.

The historiography of Scottish emigration to Australia and New Zealand, notably the works by Donaldson, Brooking and Richards, and Prentis in both his 1983 and 2008 versions, has much to offer on the cultural impact of the Scots.[756] In addition these accounts have investigated some of their involvement as settlers in the agricultural and banking sectors on both sides of the Tasman Sea, but most of this writing undervalues or ignores the contributions of Scottish FSCs to economic development in both Australia and New Zealand. This thesis has shown that Scottish FSCs **did** have a role to

[756] T Brooking, '"Tam McCanny and Kitty Clydeside' – the Scots in New Zealand," and E Richards, "Australia and the Scottish Connection, 1788-1914," in *The Scots Abroad, Labour, Capital, Enterprise, 1750-1914*, ed. R. A. Cage (Beckenham: 1985), Donaldson, *The Scots Overseas*, Prentis, *The Scots in Australia: A Study of New South Wales, Victoria and Queensland, 1788-1900*, Prentis, *The Scots in Australia*.

play in economic development in these two countries, helping to open up the interior of both and make their economies more viable. That these writers have ignored the important role played by FSCs, with the exception of Brooking who briefly looks at the New Zealand and Australian Land Company, is puzzling, because as **Chapters 4** and **6** have highlighted, FSCs helped to facilitate immigration into Australasia and had a cultural impact in donating land for schools and Presbyterian churches.

In **Chapter 3** this thesis also makes another important contribution. It is clear that the US, Canada, India and Australasia were all English-speaking, and so might be expected to interest Scottish promoters, investors and entrepreneurs, since the transaction costs of investing in them were lower given the common language. **Chapter 3** highlighted the fact that a number of Scottish FSCs were promoted to enter non-English speaking countries: as many as 21 in continental Europe and six in Latin America. Few of these companies were successful in the long run, and some were undoubtedly unique enterprises, but this evidence still suggests that Scottish capitalists were not deterred by the lack of a common language when they became aware of business opportunities in non-English speaking countries. Scotland's close historical ties with the continent and Scotland's continued use of Roman law may partly account for this, although those looking for continued evidence of 'auld alliance' ties with France in FSC activity will be disappointed, with the Scots managing to set up only one FSC in that country. Commercial linkages and opportunities, particularly in copper and sulphur mining in Italy, Portugal and Spain had more of a role to play than any cultural ties. One such linkage was the chemist William Henderson's sponsorship of the Seville Sulphur and Copper Company to provide supplies for his own factories.[757] Similarly in Latin America the opportunities presented by countries undergoing rapid expansion of

[757] Henderson owned almost 89% of this company – see NAS BT2/507.

settlement were equally dynamic in this period, although Scottish capitalists seem to have done little in Latin America before 1885 at least. However, the interest of Scottish capitalists in promoting FSCs hosted in these regions goes some way to providing evidence that interest continued in non-English speaking countries after 1870, despite the long held claim that British foreign investment in general focused more on the Empire and the US after this date.[758]

This thesis has contributed to the debate on Free-Standing Companies by highlighting three different types of these and noting how the degree of control from Scotland and the degree of internalisation varied between them. Similarly, different levels of knowledge transfer have been identified, closely tied to this central issue of control. The thesis has argued in favour of Wilkins rather than Schmitz in clearly separating the investment trust-type company from the FSC in relation to enterprises that were intended by their promoters to operate outside Scotland.[759]

Investment trusts represented a form of portfolio investment. They bought securities in companies based abroad, in the Scottish case mostly in the US, but did not intervene to any great extent in the internal affairs of these companies. The investment decisions of these trust companies remained entirely with their head offices in Edinburgh or Dundee, which were their main site of operation. The main function of a trust company was to manage its portfolio – the companies held within the portfolio were responsible for their own operations. Many of these companies were portfolio investors, though in some

[758] Cairncross showed that all categories of British foreign investment on the European continent declined after 1870, with most new capital being directed towards the Empire or the US. Particularly big gainers were India, Australasia, Canada and the US. Cairncross, *Home and Foreign Investment, 1870-1913*, pp. 182-186.

[759] Wilkins, "The Free-Standing Company, 1870 - 1914: An Important Type of British Foreign Direct Investment," p. 263. Schmitz, "The Nature and Dimensions of Scottish Foreign Investment."

cases they kept a network of agents in host countries, particularly in the US to monitor the firms in which they had invested.[760] Free-Standing Companies are always direct investors in the sense that they purchase or invest in operating assets abroad, and incorporate these directly into their firm, although they need not be single project companies, as has been noted with the NZALC. The key issue evaluated in the central part of this thesis has been how far these companies established control over the use of their resources, although there is no question that all of the Free-Standing Companies examined here attempted to control the use of their assets more closely than did mere investment trusts. In terms of control, the companies studied here fall into three main types: a) companies with a high degree of control from Head Office; b) companies with supervision from Head Office but not control; and c) companies with very little control or supervision from Head Office.

The C&O and the NZALC were the most centrally controlled companies studied, with a control structure that became well established from Head Office in Edinburgh right down to their on the ground employees in Australia and New Zealand. These companies were the most entrepreneurial in the Schumpeterian sense in that they actively created new combinations; the C&O and to a greater extent the NZALC were directly led by their Head Offices in setting up new sources of supply of wool, tallow, mutton and lamb, beef, dairy products and even frozen rabbits and their skins for the growing UK market.[761] They also helped to settle new areas of their host countries and to build infrastructure there, as well as clearing unproductive scrub and bush land to transform it to pasture or even land suitable for arable farming. Most notably the

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[760] Kerr, *Scottish Capital on the American Credit Frontier*.

[761] Schumpeter argued that an entrepreneur did not have to be an inventor, but some form of innovator, someone that actively created new combinations. The NZALC's export of frozen and refrigerated produce from New Zealand from the early 1880s onwards was one such new combination. Davidson, would be, as Schumpeter would put it 'the man who gets new things done." J. A. Schumpeter, "Economic Theory and Entrepreneurial History," in *On Entrepeneurs, Innovations, Business Cycles, and the Evolution of Capitalism*, ed. R. V. Clemence (London: 1949), pp. 263-268.

NZALC helped to transform New Zealand's economy by organising the first shipment of frozen mutton and lamb carcasses from New Zealand to the UK. Later it transferred dairy technology and know-how to New Zealand, including the recruitment of a dairy expert from Denmark who went on to work for the New Zealand government as a dairy advisor. These innovations were supported by a properly established institutional system which facilitated control; the C&O and the NZALC had a command structure of trusted managers almost from the beginning.

The NZALC's managers were given a reasonable degree of freedom in the way that they operated their individual farming properties, but were expected to report back to Head Office regularly and to keep within budgetary constraints. By the mid-1870s it was expected that all major expenditure decisions were to be referred to Head Office. By the mid-1880s the new General Manager of the NZALC, William Soltau Davidson, had organised a regular reporting system across the company, including a centralized agricultural plan to be set annually for New Zealand. This allowed the company to try to set production targets to meet market demand, although obviously this was constrained to some degree by droughts and other bad weather. Davidson was assisted by a centralised secretariat at Head Office in Edinburgh which collated the data sent and supplied it to the board for their examination. The NZALC was, then, a highly integrated organisation with a well developed hierarchical system yet in essence it remained a Free-Standing Company, with none of its operations except its Head Office activities being carried out in Scotland. Wilkins argued instead that knowledge transfer was difficult for FSCs, and that this meant that FSCs could not be innovators. While this would appear more true of those FSCs hosted in the US, it was less true of those hosted in Australasia, an area of more recent European settlement where it was easier for incoming firms to impose their entrepreneurial will onto the economy. Further, Wilkins and subsequent writers such as Geoffrey Jones were mostly interested in London based FSCs – in this thesis we have seen that while some Scottish FSCs did engage in speculative practices, they were capable of practising a form of managerial capitalism, and arguably became early prototypes for the multinational structures that followed them.

As was seen in **Chapter 6** the CRC and the ACC had very loose structures of control and it is not clear that their Head Offices in Edinburgh intended to control the companies centrally. Both of these companies were the closest to the portfolio investment model here. The comparison in **Chapter 8** between the approach of these companies and those of the C&O and the NZALC illustrated that Free-Standing Companies could fit into different operating models. Instead of actively setting up an operational system based around the posting of trusted personnel and regular communication, these companies relied to a greater degree on their agents in the host country than did the C&O and the NZALC. These agents were inherited from the previous owners and were expected to allocate resources to maximise production despite their lack of incentive to do so.

The ACC was of particular interest to the thesis as a metal mining FSC – and more specifically, the largest Scottish metal mining FSC by capitalization - given the generally poor record of Scottish FSCs in this area. Within two years of its initial founding the ACC's directors were forced to wind up the company and transfer the assets to a new company, also registered in Scotland with the same name, since the original company had run out of funds, most of which the Edinburgh board alleged had been misallocated by the agents in Arizona. As with the CRC, this misunderstanding could be blamed at least as much on the Edinburgh board's incompetence as on that of their agents. Furthermore, the Edinburgh board did not have much access to expertise relating to the copper industry. The same problem became clear with the CRC which also ran out of funds as its directors lacked expertise relating to the timber industry, particularly the part of it relating to the use of redwood trees. The Scottish component of these companies was restricted to a simple board of directors and these boards did not have much to offer their agents in the US. As a result the agents in the US were not motivated to any great extent to operate on behalf of the boards. It was not simply that these companies failed to establish a managerial system that could operate across the Atlantic (as Wilkins speculated was a problem for many FSCs);[762] they did not even attempt to do so. Although they tried to adopt an organisational structure, it was assumed that all management functions could be retained in the US. The Edinburgh boards existed only to represent the companies to their shareholders.

Chapter 7 showed that the Matador Land and Cattle Company was a halfway house between these two extremes, with supervision from Head Office rather than control, based on the fact that the Head Office lacked expertise in cattle ranching. In this model responsibility for the allocation of resources remained firmly on the US side of the company, but US agents were made aware of their accountability to their principals for their productive allocation. The entire management structure in the US was not initially appointed by the Dundee board, but the assistant manager and after 1885 the manager were appointed centrally. In addition the Dundee board closely monitored the activities of the agents in the US, setting limits on capital expenditure and generally approving the decisions made by the US management team. The Dundee board took few executive decisions and the size of the Head Office was never expanded beyond sharing premises with the secretary, Andrew Mackay's accounting practice. There was no purchase of a

[762] Wilkins, "The Free-Standing Company, 1870 - 1914: An Important Type of British Foreign Direct Investment."

dedicated headquarters building as there was with the NZALC in 1880. The Matador's headquarters did not have any role in purchasing raw materials, marketing, research and development, nor much of a role in sourcing new personnel. All of these activities were delegated to agents in the US. This system was workable for the Matador because more of these linkages were possible in the US than were attractive or possible for the NZALC in either Australia or New Zealand. In this sense the Matador was able to become more of a self-contained unit in its host country, and its survival until 1951 suggests that FSCs which were relatively lightly managed from the host country did not necessarily fail.

It has also been argued that a high level of internalisation, as with the NZALC, can help to make the Free-Standing model work more effectively in the longer term. The NZALC moved beyond the level of a mere extractive property-based investment, entering refining and even manufacturing in what were at the time newly emerging, and technologically driven industries. This defies the supposition that Free-Standing Companies were necessarily always speculative. Anyone reading the board minutes of the NZALC and the C&O would be left in no doubt as to the long-term strategy of the two companies. Although returns were expected, allowance was made for a lead time before the best results were procured, and it was realised that the Scottish Head Office had a vital role to play in supporting the operational side of the business in this. Similarly the Scottish board of the Matador were also prepared to take a long term approach with regard to the company's affairs; although profits were squeezed to a large extent by 1887, there was no thought of winding the company up. Arguably the ACC was also a long-term concern to some degree, particularly in terms of its investments in transport infrastructure, but the communication between principal and agent in that firm quickly veered into irritation at the lack of returns from the company's operations. A similar situation manifested itself within the CRC, with annoyance at the lack of mass scale production which was inhibiting returns.

At the heart of this thesis has been an issue that has not been considered to a great degree by the previous Free-Standing Company literature: the organisational culture within Free-Standing Companies. Within this thesis this organisational culture was shaped by the culture of the home nation, Scotland, by the choice of host nation and culture there, and also by the dynamics of the industry within which these firms operated. The C&O and NZALC were forced to intervene in the market by setting up their own trading network which relied on linkages back to the home country. This was necessary because the economies of Australia and New Zealand were not yet developed enough to support a substantial enough domestic market in agricultural produce to make either company's undertakings viable. All of the three US hosted companies looked at were involved in areas of recent settlement, or in areas where settlement was being opened up, but the US domestic market was already felt sufficient to support these companies. Therefore the Scottish element within the C&O and NZALC remained important in a way that it did not for the ACC, CRC and for the Matador, although both the ACC and Matador latterly relied upon Scottish emigrants in management. The ACC and Matador did not, however, set out to recruit Scottish emigrants in quite as direct a fashion as the NZALC did, as neither company sent people directly to the US, instead recruiting emigrants that were already there. The NZALC was able to take full advantage of its strong remaining link with the Head Office to recruit young emigrants into the company and then create a sense of organisational permanence that meant recruits would feel secure enough in the company's employment to commit to it in the long term. The NZALC was not purely speculative concern, despite its early association with James Morton and the City of Glasgow Bank failure; purchasing its own Head Office in Edinburgh and with its dedicated management team it was far from a mere ‘brass plate’.

The Free-Standing Company then was, and still is, a unique organisational form which was capable of operating in a quasi-Chandlerian fashion as well as in the more familiar speculative fashion. It should be noted, however, that all five of the companies examined in detail in this thesis attempted to organise themselves to overcome their disadvantage of distance in some way, though some were more successful than others. Among the wider population examined in **Chapter 3**, some were no doubt completely speculative but failure in many cases resulted from the failure of the resource that a company hoped to exploit rather than from poor organisational structure. All five of the companies looked at in detail here progressed beyond this stumbling block, but the California Redwood Company and the Arizona Copper Company were relatively less successful at creating a workable organisational structure. Both failed to establish a working relationship of trust across the Atlantic with their US agents and to establish where control of the firm should lie. This hampered the commercial progress of both companies. The Matador had difficulty, too, in establishing such a working relationship of trust across the Atlantic, but soon found that an arms-length supervisory approach could work. The Dundee Head Office took a supervisory role while the effective nexus of the company’s decision making, and knowledge gathering operation rested in Texas. Meanwhile the C&O and the NZALC were controlled more rigidly, firstly from a Glasgow then an Edinburgh Head Office and progressively established a hierarchical system controlled from Scotland.

The thesis has shown that Free-Standing Companies can be more of a form of direct investment than portfolio investment, and has shown that management control was both important and desirable in companies of this type.

Appendices

Appendix 1 – Scottish Free-Standing Companies registered 1862-1885 by four digit SIC Code.

SIC Code	SIC Class Name	Frequency
133	Sugarcane and Sugarbeets	2
139	Field Crops, Except Cash Grains	6
174	Citrus Fruits	1
179	Fruits and Tree Nuts	1
212	Beef Cattle, except feedlots	16
214	Sheep and Goats	3
811	Timber Tracts	2
1011	Iron Ores	3
1021	Copper Ores	15
1031	Lead and Zinc Ores	1
1041	Gold Ores	7
1044	Silver Ores	4
1099	Miscellaneous Metal Ores	1
1231	Anthracite Mining	1
1311	Crude Petroleum and Natural Gas	2
1475	Phosphate Rock	1
1479	Chemical and Fertilizer Mineral Mining	1
2013	Other Prepared Meat Products	1
2041	Flour and Other Grain Mill Products	1
2299	Textile Goods	5
2411	Logging	6
2421	Sawmills and Planing Mills, General	1
3251	Brick and Structural Clay Tile	1
4011	Railroads, Line Haul Operating	1
4424	Deep Sea Domestic Trans of Freight	1
4449	Water Transportation of Freight, nec	2
4813	Telephone Communications	1
4822	Telegraph and Other Communications	1
4923	Natural Gas Transmission and Distribution	3
5199	Non-durable Goods, nec	2
6162	Mortgage Bankers and Loan correspondents	1
6321	Accident and Health Insurance	1
6552	Land Sub-dividers and Developers	20
8999	Services	1
	Total	116

See **Appendix 2** for key to SIC codes.

Appendix 2 - Company purpose by main host countries

Country	SIC 2 digit	Frequency	SIC 4 digit	Frequency
US	01	1	0174	1
	02	15	0212	14
	08	1	0811	1
	10	10	1011	1
			1021	4
			1041	5
	20	1	2041	1
	24	3	2411	3
	40	1	4011	1
	63	1	6321	1
	65	11	6552	11
Canada	01	1	0133	1
	10	3	1021	3
	12	1	1231	1
	14	1	1475	1
	24	2	2411	2
	65	6	6552	6
India	01	6	0139	5
			0179	1
	10	2	1041	2
	22	5	2299	5
	48	1	4813	1
Spain	10	7	1021	4
			1031	1
			1044	1
			1099	1
	32	1	3251	1
	49	1	4923	1
Italy	10	4	1021	2
			1044	2
	49	1	4923	1
New Zealand	02	2	0214	2
	20	1	2013	1
	61	1	6162	1
	65	1	6552	1
Portugal	10	3	1011	1
			1044	1
			1099	1
	44	1	4424	1
Burma	13	1	1311	1
	44	2	4449	2
Argentina	02	1	0212	1
	44	1	4412	1
	48	1	4822	1

4 digit SIC Codes:

0133	Sugarcane and Sugarbeets
0139	Field Crops, Except Cash Grains, not elsewhere classified
0174	Citrus Fruits
0179	Fruits and Tree Nuts, not elsewhere classified
0212	Beef Cattle, except feedlots
0214	Sheep and Goats
0811	Timber Tracts
1011	Iron Ores
1021	Copper Ores
1031	Lead and Zinc Ores
1041	Gold Ores
1044	Silver Ores
1099	Miscellaneous Metal Ores, not elsewhere classified
1231	Anthracite Mining
1475	Phosphate Rock
2013	Sausages and Other Prepared Meat Products
2041	Flour and Other Grain Mill Products
2299	Textile Goods, not elsewhere classified
2411	Logging
3251	Brick and structural clay tile
4011	Railroads, Line-Haul Operating
4424	Deep sea domestic transport of freight
4813	Telephone Communications
4822	Telegraph and other communications
4923	Natural Gas Transmission and Distribution
6162	Mortgage Bankers and Loan Correspondents
6321	Accident and Health Insurance
6552	Land Sub-dividers and Developers, except cemeteries

Appendix 3 – FSC City of Origin

Previous authors have done little to provide us with a clear statement of the cities of origin of Scottish FSCs. Jackson looked in detail at the connections in Edinburgh and Dundee which surrounded the US hosted companies studied by him, but did little to detail their origins. Payne, too, carried out little investigation of the geographical origins of his early Scottish companies, while Schmitz looks at the geographical distribution of private holders of foreign assets and shares in companies investing abroad, but not actually at the location of the headquarters of such companies. The Head Office locations of the FSCs in this population are broken down here for the first time to give a view not just of who was investing, but of where the entrepreneurial energy for these ventures originated. If FSCs are to be considered merely a form of portfolio investment, and their headquarters perhaps merely 'brass plates', then their locations might be expected to be found liberally scattered around Scotland, in provincial towns such as Airdrie, Bathgate or Forfar as much as in larger cities. Wilkins has already speculated that "Glasgow, Edinburgh, and possibly Dundee" were of importance and additionally this section intends to show the validity of this speculation. If, as is argued here, FSCs were not just a form of portfolio investment, then the Head Offices of FSCs might be expected to group together to gain access to benefits from clustering, such as local knowledge spill-overs in the administration and management of such companies. Skills could potentially be transferred in terms of actual expertise in farming or mining, in financial administration or in actually managing or overseeing the overseas activity of FSCs. At the farthest extreme, economies of scope could be obtained from several companies sharing the same head office and staff – cases of this were discussed further in **Chapters 4** and **5**.

We might expect that the 'Big Four' cities, Glasgow, Edinburgh, Aberdeen and Dundee would all have been home to a variety of Free-Standing Companies albeit with a Glasgow/Edinburgh bias but as **Table A1** shows this was not exactly the case:

Table A1 FSC Headquarter Cities 1862-1885

City	Frequency	%	Nominal Capital (£,000s)	% of Nom Cap	Paid-up capital (£,000s)	% of Paid Capital	Pop. 1881 Census
Glasgow	64	55.2%	8967	48.5%	5954	54.0%	511,532 (a)
Edinburgh	37	31.9%	7670	41.5%	3435	31.2%	289,358 (a)
Dundee	10	8.6%	1486	8.0%	1337	12.1%	142,454 (a)
Inverness	3	2.6%	326	1.8%	275	2.5%	17,965 (b)
Greenock	1	0.9%	30	0.2%	10	0.1%	68,897 (a)
Banff	1	0.9%	10	0.1%	7	0.1%	5,841 (b)
Aberdeen	0	0	0	0	0	0	105,054 (a)
Total	**116**	**100.0%**	**18489.9**	**100.0%**	**11021**	**100.0%**	

(a) Population of Glasgow, Edinburgh, Dundee, Greenock and Aberdeen taken from 1881 census – *Preliminary Report, Scotland 1881*, p. 16, Table X – Population of the eight principal towns in Scotland in 1871 and 1881, together with the Number of Houses, Families, and Rooms with Windows in 1881. (Including Shipping). Population for Edinburgh includes Leith, technically a separate burgh until 1920, which had three companies based within it.
(b) Population of Inverness and Banff taken from 1881 census – *Preliminary Report, Scotland 1881*, p. 15, Table VII – Population &c. of Parliamentary Burghs in 1881 (excluding shipping). These populations refer to those falling strictly within Parliamentary Burgh boundaries rather than the urban area as a whole, but these towns are relatively small and thus unlikely to have much population outside the parliamentary boundaries.

Table A1 shows that Glasgow was indeed the most important city in this period with more than half of all FSC promotions in this period. This might be expected given the relative importance according to Michie of Glasgow's stock exchange in this period in addition to its importance as a trading centre,[763] although not all FSCs based there were large flotations. Almost a third originated in Edinburgh, and Dundee's role could be considered subsidiary at best, with only ten companies registering. If population is a determinant of possible activity then it is not surprising that Glasgow was the dominant centre. The population of Glasgow at over 500,000 was almost double that of Edinburgh, nearly quintuple that of Dundee and 100 times that of Banff. However, no

[763] Michie, *Money, Mania and Markets: Investment, Company Formation and the Stock Exchange in Nineteenth - Century Scotland*, pp. 212-223., tells us that the volume of business on the Glasgow Stock Exchange was much larger than on those of Edinburgh, Dundee and Aberdeen, although he only provides concrete numbers for Aberdeen and Dundee.

FSCs at all were registered in Aberdeen, and its earlier involvement with investment companies from the 1830s onwards. The fact that Aberdeen was not home to any Free-Standing Companies is a significant new finding of this thesis. Other sizable towns which were not home to FSCs included Paisley (population in 1881 55,642) and Perth (population in 1881 29,755).[764]

There were some unusual outliers: including three companies registered in Inverness, a single FSC based in Banff and a single FSC headquartered in Greenock although only two of these outliers, a coffee company operating in India and a cattle company operating in Mexico were successful for any length of time. The cumulative nominal and paid-up capitalisations of all companies except for re-registrations have been included to give a sense of the values invested, although these don't reveal a vastly different picture in terms of proportions from the absolute frequency of new promotions. The main difference is that Edinburgh companies were responsible for registering proportionately more nominal capital but did not take advantage of it.

Although some variation between sectors appears in **Table A2** below, some consistency emerges in agriculture which commanded similar percentages of the nominal capital raised in both Glasgow and Edinburgh, although Edinburgh promoters were responsible for fewer companies. FSC based investment in livestock based agriculture (SIC code 02) is usually assumed to be mostly something that capitalists in Edinburgh and Dundee were involved in. It is true that livestock represented a large percentage of investment in Edinburgh, but in fact Glasgow turned a larger proportion of its nominal capital issued in this period over to livestock based agriculture than did Edinburgh. However this investment in livestock was made earlier and hosted in Australia and New Zealand rather than the US, and concentrated in the hands of fewer companies, including the

[764] 1881 Census, *Preliminary Report, Scotland 1881,* p. 16.

Canterbury and Otago Association and the New Zealand and Australian Land Company, which are discussed in more detail in **Chapter 4**. What should be noted here is that the west coast's commercial classes did have an appetite for pastoral investment, just as those on the east coast did, something not covered by Jackson as a result of his concentration on Scottish investment in the US.

Table A2 Two Digit SIC Code by Headquarters City, 1862-1885

	Glasgow			Edinburgh			Dundee		
SIC Code	**Freq**	**Nom Cap (£'000s)**	**% of City Nom Cap**	**Freq**	**Nom Cap (£'000s)**	**% of City Nom Cap**	**Freq**	**Nom Cap (£'000s)**	**% of City Nom Cap**
01	5	770	8.6%	3	97	1.4%			
02	6	2930	32.7%	9	2102	30.0%	3	850	57.2%
08	2	45	0.5%						
10	25	4039	45.0%	5	1892	16.1%	1	6	0.4%
12	1	100	1.1%						
13	2	25	0.3%						
14	1	25	0.3%						
20	1	200	2.2%	1	100	1.4%			
22	3	550	6.1%				2	116	7.8%
24				6	1998	28.5%	1	4.4	0.3%
32	1	7.5	0.1%						
40							1	160	10.8%
44	4	1170	13.0%						
48	1	40	0.4%	1	301	4.3%			
49	2	65	0.7%	1	100	1.4%			
51	2	270	3.0%						
61				1	60	0.9%			
63	1	500	5.6%						
65	8	1880	21.0%	10	1020	14.6%	2	350	23.5%

SIC Codes:

01 Agricultural Production – Crops
02 Agricultural Production – Livestock
08 Forestry
10 Metal Mining
12 Coal Mining
13 Crude Oil & Natural Gas
14 Mining and Quarrying of Non-metallic Minerals (Non-Fuels)
20 Food and Kindred Products
22 Textile Mill Products
24 Lumber and Wood Products (Non-furniture)
32 Building Trade Products
40 Rail Transportation
44 Water Transportation
48 Communications
49 Utilities
51 Wholesalers
61 Credit Institutions
63 Insurance
65 Real Estate

Glasgow capitalists, on the other hand, were more interested than their Edinburgh counterparts in SIC category 01 (Agricultural Production – Crops), and most notably in metal mining. Some twenty nine mining companies were formed in Glasgow in this period across the four SIC categories that include mining – these being metal, coal, oil and gas, and non-metallic minerals. This suggests that Glasgow, and its Stock Exchange, were already specialising to some degree in foreign mining issues, even some years before the gold rush of the 1890s when according to Michie a separate trading room was set up for mining and other volatile stocks.[765] This was partly related to the excitement around the success of Charles Tennant's Tharsis Company in the Spanish province of Huelva which is not included here as it integrated downstream from 1868 into Scotland (and the rest of the UK), purchasing metal extracting companies and establishing its own factory in Glasgow in 1871.[766] A similar company which is included as it had no industrial capacity of its own in Scotland was the Seville Sulphur and Copper Company Ltd, registered in Glasgow in 1873.[767] The main driver behind this pyrites company was William Henderson who sought an independent source of copper and sulphur for his metal extraction factory in Irvine, Ayrshire. Seville Sulphur and Copper appears effectively to have been a private company never intended for stock market flotation – Henderson himself effectively financed the company, purchasing 39,994 shares out of a total of 50,000, representing an investment of £199,970.[768] The Seville Sulphur and Copper Company is an example of a mining Free-Standing Company which runs contrary to the more typical 'football pools' image of mining FSCs as a form of gambling based around stock market flotations. Essentially this represented a form of vertical integration for Henderson but one which took advantage of the Limited Liability laws to ring fence it from his domestic business.

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[765] Michie, *Money, Mania and Markets: Investment, Company Formation and the Stock Exchange in Nineteenth - Century Scotland*. p. 205

[766] Checkland, *The Mines of Tharsis: Roman, French and British Expertise in Spain*, p. 111.

[767] NAS BT2/507, Seville Sulphur and Copper Company Limited, registration file.

[768] Ibid. When Henderson re-registered the company in 1877, the winding up meeting for the original company was held at Henderson's factory in Irvine rather than at the Glasgow Head Office. The Glasgow Head Office was clearly little more than a brass nameplate, probably held by Henderson's solicitors or with a specialist agent; either way the registered address was moved three times between 1874 and 1886.

The two Dundee based FSCs in the textile industry were further examples of FSC formation as vertical integration. The jute milling Cox family first set up the Camperdown Pressing Company (Limited) in 1868 to operate jute packing machinery at the docks in Calcutta, presumably to increase the amount of raw jute that could be carried on board ships back to Dundee.[769] This company was dominated by family members with as many as six persons of that surname on the board. Camperdown Pressing did not remain a purely upstream operation - by the mid-1870s the Coxes wound up this initial company and registered a new company, the Camperdown Trading and Pressing Company Limited with rights to cultivate, and (crucially for the future of that industry) manufacture in India.[770] Incidentally, Lenman notes that the Cox family's core business in Dundee did not become a limited company until after 1900, although he downplays their role in India.[771]

Other patterns emerge which have less relation to vertical integration. More has been said in **Chapter 7** regarding the lack of a clear relationship between the domestic meat industry and the American ranching companies set up in Edinburgh and Dundee. The ten Edinburgh and eight Glasgow based companies within the SIC Real Estate category, known as land companies in this period, may have more relation to vertical integration in that close ties may have existed with emigration agencies.[772] A further pattern of note is that FSCs in the Agricultural Production (crops) classification originated from all centres except Dundee, suggesting no specific pattern as such of interest in them – indeed one of the more successful companies was headquartered in Inverness.[773] The nearest to any pattern emerging was a trio of Indian hosted tea growing FSCs in

[769] NAS BT2/293, The Camperdown Pressing Company Limited, registration file.
[770] NAS BT2/694, The Camperdown Trading and Pressing Company Limited, registration file.
[771] B. P. Lenman, and Donaldson, K., "Partners' Incomes, Investment and Diversification in the Scottish Linen Area, 1850-1921," *Business History* 13, no. 1 (1971): pp. 9, 13.
[772] Some companies registered to operate in the US and Canada were land or mortgaging companies but also included setting up agencies in the UK to attract emigrants in their purposes. These companies have been excluded from the study as they were not purely operating in only the host country.
[773] See BT2/523 Scottish Indian Coffee Ltd., registration file.

Glasgow, at least two of which, the North and South Sylhet Tea Companies were initiatives of the Glasgow based merchant house James Findlay & Company. Findlay's Calcutta branch, Finlay, Muir & Co., were employed as managing agents in India (actually the modern day Bangladesh) which managed the two companies which were separated with equal capital until their merger in 1902 into Consolidated Tea and Lands Ltd., presumably to share the risk in starting the plantations.[774]

The relative importance of investment in Free-Standing Company promotions to their home towns has not previously been explored. While it has already been discussed above that large sums were invested in Free-Standing Companies, it is unclear how proportionately important they were to the Scottish economy, particularly in relation to the theory that investment funds that could have been used domestically were transferred abroad. In order to measure the relative importance of these companies to their headquarter cities a per capita measure has been produced. This has been calculated by dividing the cumulative levels of capital raised in each city by year by the nearest ten yearly census level. Relevant censuses were taken in 1861, 1871, 1881 and 1891; the figures taken are those from within the relevant parliamentary burgh boundaries although it is recognised that this does not give an absolutely accurate view of population structures especially where cities overspill into neighbouring burghs.[775] This also does not make the ratios absolutely exact as population figures were constantly increasing year on year with very large rates of increase in some cases – it has been assumed here that the census figures will be closest for a ten year period either side (e.g. 1877-1886).

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[774] Registration files NAS BT2/1157 The North Sylhet Tea Company Ltd., and BT2/1158 The South Sylhet Tea Company Ltd. Both companies had almost identical records: both had a nominal capital of £200,000 and called up their share capital at the same time, both starting with around £9,000 in paid-up capital with the rest used as a reserve, presumably while the plantations grew to maturity.
[775] Census data taken from The Online Historical Population Reports project - http://www.histpop.org.

Obviously it is also the case that just because the Head Office of a company was in a certain city it does not mean that all its shareholders were there, but this does give an indication of the relative importance of a city as a centre of FSC headquartering compared to its population. While extreme cases such as the Seville Sulphur and Copper Company, of which most shares were in the hands of William Henderson existed, evidence exists suggesting that shareholding for some companies was concentrated around the Head Office city or its immediate area. For instance, the Glasgow based New Zealand and Australian Land Company in 1877 had 113 registered shareholdings: of these 58 gave Glasgow addresses, and between them they held 82% of the company.[776] Others were less concentrated but still had enough of a shareholding concentrated in the headquarters city to make it a significant factor: in Dundee the Texas Land and Cattle Company had 381 shareholdings spread around the UK, and even some in the US, but there were still 147 holders who gave their address as being in Dundee holding 47.47% of the company between them.[777] The Matador Land and Cattle Company, also based in Dundee had a similar pattern of ownership: there out of 336 holdings 214 were in Dundee and held 42% of the company.[778]

[776] NAS GD435/610/2 'The New Zealand and Australian Land Company Ltd: Distribution of Stock Amongst the Proprietors at Date of Formation'.
[777] Lamb Collection, Dundee City Library, cat no. 200 (74) 'The Texas Land and Cattle Company Limited, List of Shareholders, February, 1888'.
[778] Lamb Collection, Dundee City Library, cat no. 200 (34) 'The Matador Land and Cattle Company, Limited, List of Shareholders' (as at 31st January 1889).

Table A3 Paid-up capital per thousand population

	Glasgow (£)	Edinburgh (£)	Dundee (£)	Inverness (£)
1862	3			
1863			49	
1864				
1865	629	60		
1866	85			
1867				
1868	1869	213	168	
1869	63			
1870	677			
1871	89			
1872	346	80		
1873	799	190		6652
1874	56	107		
1875	874	110	25	
1876	69	42	364	1434
1877	704			155
1878	158		61	
1879	145	15	17	
1880	76	963	419	
1881	547	971	746	812
1882	172	2606	4033	
1883	274	3718	358	
1884	361	2209	350	5281
1885	163	990	545	53
1886	493	472	245	27
1887	368	219		28
1888	648	171	1066	2929
1889	487	548	238	301
1890	357	114	437	
Mean A	404	726	570	1767
Mean B	362	476	314	609

Mean A: The mean of the values without including years when no capital was called.

Mean B: The mean including 0 from the years when no capital was called.

Inevitably some distortion takes place in **Table A3** as Dundee and Inverness, having relatively small populations, appear to have very high calls of capital per annum. However with adjustment for years when no capital was called, with Mean B, a clearer picture emerges – while Edinburgh was investing more in FSCs relative to its population than Glasgow, Glasgow was still investing more than the relatively small Dundee market. However Dundee and Inverness were still managing to invest far more than they might be expected to given the relative size of their populations and economic importance generally. In Glasgow on the other hand promotions did not come in fits and bursts but more consistently and this is reflected in its consistent but relatively low per thousand figure.

Of most clear interest in **Table A3** are the occasions on which investment moves above £1,000 per thousand population. The relative importance of the investment boom with cattle, lumber and mining companies being promoted in the early 1880s in Dundee and Edinburgh becomes very clear in this table. For every thousand residents of Dundee in 1882 more than £4,000 was spent on paid-up capital in companies that were based there: more than three times the per thousand figure of £746 spent in 1881 and more than eight times the 1880 figure of £419. A similar trend is noticeable in Edinburgh in the same period where a figure of £15 for 1879 increases to £963 in 1880 and 1881 before reaching £2,606 in 1882 and a peak of £3,718 in 1883. This reflects the continuing promotion of cattle and lumber companies throughout 1883 and 1884 in Edinburgh and also the fact that those companies already incorporated were calling up capital to purchase herds, ranches and even to offset losses. The influence of both the Glasgow spike of the late 1860s and the east coast spike of the early 1880s is also starkly clear in the two national measures – pushing the FSC population per thousand measure over £1,000 on both occasions.

From these figures it is clear that large scale growth in this period in both Edinburgh and Dundee was in stark contrast to the figures for Glasgow which are among the lowest for the whole period particularly for 1882 and 1883. A glance at **Table A3** suggests that this decline was absolute. This is likely to be partly reflected by continuing caution following the failure of the City of Glasgow bank in late 1878 and the resulting lack of funds from this crash. Over the longer period these figures would tend to suggest that Glasgow was always a much more active market than Edinburgh or Dundee but that its relative contribution is diminished by its much larger population. Therefore when an atypical event occurred – in this case the cattle boom the relative importance of Glasgow as a market decreased. In the longer term Glasgow was always the more important arena for Free-Standing Companies to be promoted – particularly in the mining industry.

The highest level of investment per thousand population in this period was not found in the three main cities – but in Inverness. According to this measurement the each group of one thousand citizens of Inverness spent around £6,652 on FSC shares in 1873. 1873 is known for its international importance as a year of stock market speculation and this interest even appears to have spread to the relatively remote Highland capital where the Scottish Indian Coffee Company Ltd. was incorporated.[779] This was one of the more successful Scottish FSCs of the period officially surviving until 1932 although the decision to wind up had officially been taken in 1897 when the company sold its coffee estates to the New East Union Syndicate Ltd. Similarly high per capita measurements occur in Inverness in 1876, 1884 and 1888 as two further FSCs were promoted in 1884 and 1885 – The Highland Mexican Land and Live Stock Company Ltd. and the Comorin Tea Company (Limited).[780] The capitalisation of the Comorin Tea Company was relatively small by national standards – a nominal capital of just £6000 and a paid-up capital at its height of just £2,555 3s 6d being wound up in 1892. The Highland Mexican Cattle Company meanwhile was large by national standards and raised £76,415 in its first issue again giving a large ratio against a city population of just 17,365 in 1881. This contributes to Inverness' figure of £812 per thousand in 1884.

[779] NAS BT2/523, The Scottish Indian Coffee Company Ltd., registration file.
[780] See NAS BT2/1312 The Highland Mexican Land and Live Stock Company Ltd., and BT2/1437 The Comorin Tea Company (Limited), registration files.

Inverness' role as a centre of foreign investment has not been mentioned in any previous writing on the subject, although it remained a particularly unimportant one. Most Scottish FSCs were headquartered in Glasgow or Edinburgh rather than in any provincial centres, suggesting that only larger cities had the investment and structural capabilities to handle larger numbers of FSCs being based there.

Appendix 4 – Canterbury and Otago Association Financial Results 1867-1876.

Year	Book Value (£)	Profit and Loss (a) (£)	Turnover (£)
1867	315,319		44,119
1868	334,553		57,949
1869	654,155	14,706	61,752
1870-1873	no figures available		
1874	871,319	38,681	135,120
1875	900,234	44,852	136,779
1876	899,321	25,014	122,288

Source: NAS GD435/495 Printed Balance Sheets and Reports by Directors 1867-1883.

a) is inconsistent with **Table 4.3** for 1875. This probably reflects funds from land sales or other miscellaneous transactions added to profit.

Appendix 5 – New Zealand and Australian Land Company Ltd. Financial Results 1867-1900.

Year (end of March)	Book Value (£)	Profit and Loss (£)	Turnover (£)
1867	51,840		
1868	1,973,192	72,128	
1869	2,046,790	106,368	
1870	2,158,132	141,824	
1871-3	No figures available		
1874	1,815,402	111,987	260,774
1875	1,858,990	88,265	262,162
1876	2,014,220	59,667	233,199
1877	3,834,933	90,371	353,510
1878 (b)	4,148,223	17,441	275,376
1879 (a)	3,971,155	106,383	204,283
1880	3,998,598	154,714	251,207
1881	3,642,999	130,231	226,144
1882	3,650,957	142,766	279,674
1883	3,606,701	169,408	308,410
1884	3,653,859	150,307	309,484
1885	3,566,902	77,715	230,654
1886	3,507,282	88,248	235,988
1887	3,506,027	127,980	272,318
1888	3,506,578	118,986	272,279
1889	2,820,375	168,165	308,841
1890	3,118,158	125,528	341,703
1891	3,054,084	111,124	351,718
1892	3,029,497	97,466	313,238
1893	2,955,491	87,029	321,986
1894	2,968,688	81,127	301,004
1895	2,991,573	62,389	276,898
1896	2,923,758	63,709	272,795
1897	2,840,583	93,835	296,306
1898	2,814,372	85,737	301,813
1899	2,748,279	95,437	323,262
1900	2,860,798	86,384	347,627

Sources: NAS GD435/493, 494 and 495 Printed Balance Sheets and Reports by Directors. 1867-1883 from GD435/493, 1884-1889 from GD435/494 and 1890-1900 from GD435/495. Includes profit from land sales etc.

a) Does not include Queensland.
b) New Valuations were made in 1878 upon the merger of C&O with NZALC.

Appendix 6 - NZALC Performance in Australia 1877-1914

			Price per bale			
Year to 31st March	**Bales of Wool ('000s)**	**Net Proceeds (£'000s)**	**£**	**s**	**d**	**Drought Losses (sheep '000s)**
1877	10.4		15	12	8	
1878	0.0					50.2
1879	9.7	114.8	11	17	7	
1880	10.1	178.4	17	14	3	
1881	10.2	144.3	14	3	9	
1882	10.5	151.2	14	8	3	
1883	10.1	142.1	14	0	7	
1884	10.9	147.4	13	9	5	212.6
1885	10.3	112.5	11	17	10	
1886	9.7	111.7	11	10	8	
1887	10.5	141.7	13	10	6	
1888	11.0	141.8	12	18	2	
1889	11.7	168.4	14	8	0	
1890	12.9	198.3	15	6	3	
1891	14.4	188.6	13	2	0	
1892	14.8	170.2	11	10	1	
1893	17.0	196.8	11	11	8	
1894	14.7	157.3	10	14	2	
1895	16.0	156.7	9	16	6	
1896	13.5	151.9	11	5	4	108.5
1897	15.3	167.3	10	18	0	
1898	15.0	163.2	10	17	9	
1899	15.4	189.9	12	4	5	
1900	13.4	186.7	13	18	11	230.0
1901	12.4	121.7	9	16	6	
1902	13.0	143.8	11	1	3	
1903	12.1	165.5	13	14	4	
1904	12.4	174.9	14	1	3	
1905	15.5	226.9	14	2	9	
1906	18.6	300.3	16	2	10	
1907	24.0	385.3	16	1	7	
1908	24.6	361.7	14	14	2	
1909	26.0	370.9	14	5	5	
1910	29.9	494.7	16	11	0	
1911	30.4	454.7	14	18	9	
1912	30.5	438.1	14	6	11	
1913	30.5	418.0	16	12	2	
1914	32.4	514.4	15	17	2	

Source: Davidson, W. S., *William Soltau Davidson, 1846-1924* (Edinburgh, 1930)., pp. 138-140.

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Abreviations

NAS – National Archives of Scotland

BT2 – National Archives of Scotland Companies House Registration Files of Dissolved Companies

GD – National Archives of Scotland General Collection Material

Primary Sources

National Archives of Scotland – Companies House Registration Files

BT2/110 Lisbon Royal Steam Navigation Company (Limited)

BT2/129 The West Pacific Company Ltd.

BT2/188 Irrawaddy Flotilla and Burmese Steam Navigation Company Ltd.

BT2/197 Canterbury and Otago Association Ltd.

BT2/205 Argentine Land and Stock Company

BT2/206 River Plate Telegraph Company Ltd.

BT2/211 The Glasgow and South African Company (Limited)

BT2/212 New Zealand Scotch Trust Limited

BT2/229 The New Zealand and Australian Land Company Limited

BT2/232 India Jute Company (Limited)

BT2/235 Glasgow West African Company Limited

BT2/277 New Zealand Credit Association

BT2/293 The Camperdown Pressing Company (Limited)

BT2/307 Tuscan and Sicilian Gas Company Limited

BT2/338 Kapunda Copper Company Limited

BT2/360 Glasgow-Punjab Fibre Company Limited

BT2/361 Rangoon Oil Company Ltd.

BT2/382 The Concordia Copper Company Limited

BT2/399 Glasgow Port Washington Iron and Coal Company (Limited)

BT2/415 Carpio Copper and Sulphur Company (Limited)

BT2/435 The Consolidated Copper Company of Canada (Limited)

BT2/439 Gibbas Silver Lead Mining Company Limited

BT2/441 Canadian Copper Pyrites and Chemical Company Limited

BT2/443 Utah Cottonwood Mining and Smelting Company Limited

BT2/467 Glasgow Foreign Mineral Exploring Company Limited

BT2/472 Glasgow Canadian Land and Trust Company Limited

BT2/480 Peruvian Nitrate Company Limited

BT2/494 Scottish Italian Copper and Lead Mining Company Limited

BT2/496 Champdany Jute Company Limited

BT2/498 Cape Breton Coal Company Limited

BT2/507 Seville Sulphur and Copper Company Limited

BT2/512 New Zealand Meat Preserving Company Ltd.

BT2/523 Scottish Indian Coffee Company Limited

BT2/537 Bohemian Gas Company Ltd.

BT2/544 Anglo - Algerian Mineral and Trading Company Ltd.

BT2/550 Mont Alegre Silver Mining Co Limited

BT2/555 Scottish Canadian Land and Investment Co Limited

BT2/596 British Canadian Land and Settlement Co. Ltd.

BT2/637 Irrawaddy Flotilla Co. Ltd.

BT2/638	Kirkland Gold and Silver Mining Co California Limited
BT2/639	Atchison Mining Co Limited
BT2/648	Canadian Copper and Sulphur Coy Ltd.
BT2/691	The Linares Zinc Mining Company Limited
BT2/694	Camperdown Trading and Pressing Co Limited
BT2/751	Glasgow Californian Land Co Limited
BT2/776	Seville Sulphur and Copper Company Limited
BT2/783	Nilgiri Tea and Cinchona Company Limited
BT2/789	New Zealand and Australian Land Company Ltd
BT2/798	Vaagsaeter Estate Company Limited
	Livingstonia Central Africa Company Ltd/African Lakes
BT2/833	Company Ltd
BT2/844	Dundee Land Investment Company
BT2/849	Huelva Gas and Electricity Company Limited
BT2/868	Societe des Moteurs Economques Limited
BT2/870	Gelahatting Tea Company Limited
BT2/886	Indian Gold Mines Company Limited
BT2/919	Compagnie des Sucreries du Canada Limited
BT2/957	Scottish American Land Co Limited
BT2/963	Oregonian Railway Company Limited
BT2/973	British and American Estate Company Ltd.
BT2/984	Gibbas Mining Company Limited
BT2/985	British Canadian Lumbering and Timber Company Ltd.
BT2/992	Anglo Indian Telephone Company Limited
BT2/1001	Missouri Land Company of Scotland (Limited)

BT2/1003	Prairie Cattle Company Limited
BT2/1008	Scottish Manitoba and North West Real Estate Company Limited
BT2/1018	Scottish Pacific Coast Mining Company Limited
BT2/1022	American Land and Colonisation Company of Scotland Ltd.
BT2/1025	Scottish American Accident Insurance Company Limited
BT2/1039	Scottish Canada Company Limited
BT2/1066	Quebec Timber Company Limited
BT2/1074	East India Company for Exploration & Mining Limited
BT2/1075	Texas Land and Cattle Company Limited
BT2/1101	Missouri Land and Live Stock Company Limited
BT2/1102	The North-West Canada Company Limited
BT2/1117	American Lumber Company Ltd.
BT2/1129	California Pastoral and Agricultural Company Ltd.
BT2/1131	Huelva Brick and Tile Company Limited
BT2/1144	Arizona Copper Company Ltd.
BT2/1151	The Wyoming Cattle Ranche Company Limited
BT2/1154	Dundee American Real Property Company Limited
BT2/1155	Western American Cattle Company Limited
BT2/1157	North Sylhet Tea Company Limited
BT2/1158	South Sylhet Tea Company Limited
BT2/1161	Scottish Mortgage and Land Investment Company of New Mexico Limited
BT2/1181	Matador Land and Cattle Company Limited
BT2/1182	Hansford Land and Cattle Company Limited
BT2/1198	Deer Trail Land and Cattle Company Limited

BT2/1199 Palhal Mining Company Limited

BT2/1203 Western Ranches Limited

BT2/1217 Belalcazar Silver-Lead Company Limited

BT2/1221 Texas and New Mexico Land Syndicate Limited

BT2/1225 The Swan Land and Cattle Company Limited

BT2/1238 Agricultural Company of Ceylon Ltd.

BT2/1261 The California Redwood Company Limited

BT2/1270 Wentworth Gold Mining Syndicate Limited

BT2/1279 Margarita Copper Mining Company Limited

BT2/1312 Highland Mexican Land and Live Stock Company Limited

BT2/1324 Scottish Colorado Mining and Smelting Company Limited

BT2/1325 Scottish Carolina Timber and Land Company Limited

BT2/1341 Richardson Gold and Silver Mining Company Limited

BT2/1354 Salem (Oregon) Capitol Flour Mills Company Limited

BT2/1365 Ewing's Sugar Estates Company Limited

BT2/1367 Tuscan Copper Company Limited

BT2/1369 Montana Sheep and Cattle Company Limited

BT2/1375 Arizona Copper Company Ltd. [2]

BT2/1388 Scottish Californian Orange and Vineyard Company Limited

BT2/1416 Persian Petroleum Syndicate Limited

BT2/1433 Cresswell Ranche and Cattle Company Limited

BT2/1437 Comorin Tea Company (Limited)

BT2/1447 Taprobane Tea Company Limited

BT2/1450 Chalk Buttes Ranch and Cattle Company Limited

BT2/1470 Glasgow Canadian Phosphates Company Limited

BT2/1472 Park Red River Valley Land Company Limited

BT2/1473 Mapleton Farming Company Ltd.

BT2/1477 Humboldt Redwood Company Limited

BT2/1495 The Edinburgh and San Francisco Redwood Company Limited

BT2/1502 La Platense Flotilla Company Limited

BT2/1504 San Juan Mining Company Limited

BT2/1545 Deervale Ranche Company Limited

BT2/1552 Feather-Fork Gold Gravel Company Limited

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Index

Aberdeen............. 18, 19, 24, 31, 106, 314
Acton (estate)109, 132, 155, 162, 180, 181
Africa 17, 78, 80, 81, 82, 83, 330
AGM 247, 296
Agriculture.................... 94, 129, 244, 266
Airdrie..312
Arizona7, 8, 16, 28, 33, 46, 56, 85, 93, 99, 108, 199, 200, 208, 209, 210, 212, 213, 214, 215, 216, 217, 231, 232, 234, 237, 238, 283, 284, 287, 303, 331, 332, 334, 335
Arizona Copper Company7, 8, 28, 33, 46, 56, 62, 85, 93, 99, 108, 199, 200, 208, 209, 210, 212, 213, 214, 215, 216, 217, 231, 232, 237, 238, 283, 284, 287, 331, 332, 334, 335
Arizona Copper Company (ACC)7, 29, 33, 34, 35, 200, 201, 208, 210, 211, 212, 213, 214, 215, 216, 217, 218, 221, 225, 231, 232, 233, 234, 235, 236, 284, 286, 287, 291, 293, 294, 296, 297, 303, 305
Articles of Association...... 26, 70, 92, 131
Australasia27, 35, 36, 76, 81, 103, 123, 126, 131, 134, 139, 144, 148, 153, 155, 157, 160, 174, 195, 196, 198, 277, 282, 289, 290, 292, 298, 299, 300
Australia7, 18, 27, 31, 33, 53, 54, 55, 63, 76, 80, 89, 97, 101, 102, 103, 107, 109, 117, 118, 119, 122, 128, 130, 134, 136, 138, 139, 142, 143, 144, 148, 150, 152, 157, 158, 159, 160, 161, 162, 167, 170, 176, 184, 186, 190, 191, 192, 193, 194, 196, 197, 203, 218, 264, 277, 279, 280, 281, 282, 285, 292, 293, 295, 296, 297, 298, 301, 305, 314, 327, 333
Ayrshire 317
Barings..24
Bathgate 312
Birkenhead 245
board of directors 11, 16, 61, 99, 246
Brechin..265
Britton, A. M.......................................249
Brydone, Thomas150, 158, 160, 163, 167, 173, 174, 179, 196, 281, 295
Bubble Acts...69
Bundure............... 145, 157, 160, 185, 187
Burma 13, 43, 78, 80, 81, 84, 310
butcher 245
California7, 8, 28, 33, 108, 199, 201, 205, 208, 209, 218, 219, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 236, 237, 238, 241, 276, 283, 287, 291, 294, 296, 330, 331, 332
California Redwood Company: CRC7, 8, 28, 33, 34, 108, 199, 201, 208, 209, 218, 219, 221, 222, 223, 225, 226, 228, 231, 236, 237, 238, 276, 283, 287, 294, 296, 332
California Redwoods 218
Campbell, Harry H. 249
Canada58, 74, 80, 84, 85, 88, 140, 174, 219, 267, 298, 299, 300, 310, 318, 329, 330, 331
Canterbury (NZ province)7, 8, 27, 33, 54, 101, 103, 107, 108, 109, 110, 114, 116, 138, 142, 147, 155, 163, 166, 167, 173, 182, 278, 279, 315, 328, 333
Canterbury and Otago Association7, 8, 27, 33, 55, 101, 107, 108, 110, 116, 138, 142, 147, 167, 278, 315, 328, 333
Canterbury and Otago Association (C&O)33, 101, 103, 105, 107, 111, 112, 113, 114, 115, 116, 117, 120, 121, 122, 125, 129, 130, 132, 133, 134, 135, 136, 138, 139, 141, 142, 143, 144, 145, 146, 147, 148, 151, 152, 155, 156, 162, 196, 277, 279, 280, 281, 282, 285, 286, 289, 290, 291, 292, 293, 296, 301, 302, 303, 305
Carnegie, Patrick.................................254
Cattle7, 8, 16, 24, 29, 35, 46, 58, 76, 92, 95, 103, 192, 205, 209, 210, 232, 239, 241, 242, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 261, 263, 265, 267, 270, 276, 281, 283, 291, 304, 309, 311, 320, 323, 331, 332, 335
Ceylon (Sri Lanka) 78, 80, 85, 94, 98, 332
Champdany Jute Company 91, 329
Chandler Jnr, Alfred D. 15, 278
Chapman, Stanley 12, 133
Charles Goodnight 24
City of Glasgow114, 131, 147, 152, 203, 206, 322
City of Glasgow Bank...........................70
Clay, John30, 239, 256, 259, 266, 270, 286
Clifton, Arizona29, 208, 210, 211, 212, 213, 214, 218, 233, 284, 294
Clusters 12
Clyde Company 18, 19, 105
Commercial Bank of Scotland 70
Companies House26, 51, 68, 107, 108, 129, 151, 223, 328
Consolidated Tea and Lands 95, 319
Contagious Diseases (Animals) Act of 1878. 244
Cowboys 243
Crops.................................... 94, 309, 311
Daily Bulletin Company 68
Dalgety Group............................ 101, 129
Darien Scheme 17, 18
Darwin 109
Davidson, William Soltau27, 33, 112, 113, 116, 123, 128, 134, 139, 149, 151, 167, 192, 302
debentures 23, 111, 219, 229, 290
debt40, 52, 77, 106, 136, 151, 176, 183, 218, 229
Denmark............................. 140, 175, 302
Deptford (Foreign Cattle Market) 245
directors27, 141, 145, 161, 162, 173, 190, 216, 222, 223, 230, 232, 233, 250, 259, 265, 276, 282
Douglas Alderson & Co. 110
Dundee12, 16, 22, 29, 30, 31, 52, 56, 57, 58, 61, 63, 72, 99, 205, 207, 241, 247, 249, 250, 251, 252, 253, 254, 255, 258, 265, 268, 271, 281, 282, 283, 291, 295, 300, 304, 312, 313, 314, 318, 320, 321, 322, 330, 331, 335
Dunedin104, 110, 112, 114, 132, 133, 149, 154, 157, 158, 166, 170, 171, 172, 173, 176, 180, 182, 184, 195, 294, 334
Edendale125, 132, 135, 140, 166, 167, 171, 174, 175, 177, 180, 181, 183, 279
Edinburgh12, 16, 18, 22, 27, 29, 30, 31, 34, 56, 57, 61, 68, 70, 94, 99, 104, 108, 129, 153, 158, 159, 163, 164, 165, 166, 169, 170, 174, 182, 183, 187, 189, 193, 194, 195, 196, 197, 200, 201, 205, 207, 209, 210, 213, 214, 215, 217,

219, 221, 222, 223, 224, 225, 227, 230, 231, 234, 235, 238, 241, 284, 286, 290, 291, 292, 293, 294, 295, 296, 300, 301, 302, 303, 312, 313, 314, 316, 318, 321, 322, 324, 333, 334
Empire......8, 12, 13, 52, 82, 101, 199, 300
England..........18, 20, 49, 69, 70, 104, 145
English12, 14, 17, 18, 20, 22, 23, 76, 77, 78, 81, 124, 125, 138, 144, 166, 179, 185, 199, 237, 264, 271, 287, 288, 292, 299
entrepreneur........................ 167, 240, 301
Eureka, California208, 222, 225, 226, 227, 228, 234, 276, 283, 284, 294
farm18, 74, 113, 121, 123, 126, 131, 141, 145, 162, 186, 289, 290
Faulkner, Bell & Co. 233
Fife.. 18, 268
Forfar 312
Fort Worth, Texas59, 247, 249, 251, 260, 294
Free-Standing Company11, 14, 16, 27, 32, 39, 41, 43, 44, 56, 72, 117, 147, 170, 197, 204, 238, 263, 269, 273, 274, 285, 288, 302, 306, 317, 319
Free-Standing Company (FSC)10, 11, 12, 14, 15, 17, 19, 24, 26, 29, 30, 31, 32, 33, 34, 35, 36, 38, 39, 41, 43, 44, 45, 46, 50, 56, 59, 65, 68, 71, 73, 76, 84, 86, 99, 101, 105, 108, 111, 129, 133, 138, 144, 147, 149, 199, 201, 202, 203, 204, 206, 213, 218, 219, 231, 235, 236, 246, 266, 274, 297, 299, 303, 313, 314, 318, 320, 322, 323
FSCSee Free Standing Company, See Free Standing Company, See Free Standing Company, See Free Standing Company
Galena Investment Company........ 19, 204
Gibbas Mining Company Limited. 92, 330
Gilbert, J. C. 23
Glasgow12, 17, 18, 30, 31, 33, 94, 96, 99, 101, 105, 107, 108, 109, 111, 114, 117, 122, 123, 124, 129, 130, 131, 133, 134, 136, 138, 139, 145, 147, 151, 152, 153, 154, 161, 169, 170, 172, 195, 204, 205, 206, 210, 232, 241, 274, 275, 276, 279, 280, 290, 292, 312, 313, 314, 316, 317, 318, 320, 321, 322, 324, 328, 329, 330, 332, 334
Glasgow, George...................................23
government13, 17, 40, 52, 74, 104, 110, 111, 113, 126, 132, 133, 148, 158, 160, 161, 174, 175, 176, 180, 181, 182, 188, 244, 302
greengrocers..245
Hakataramea 110, 111, 113
Hansford Land and Cattle Company Limited241, 331
Harvey, Charles and Press, John12, 47, 48, 62
Head Office8, 11, 16, 17, 20, 27, 28, 31, 32, 36, 42, 45, 57, 101, 109, 123, 129, 144, 145, 153, 154, 156, 158, 167, 180, 181, 190, 195, 197, 213, 239, 247, 260, 270, 273, 275, 278, 279, 280, 283, 284, 285, 288, 289, 290, 291, 293, 294, 295, 296, 297, 301, 302, 304, 305, 312, 317, 320
Hertfordshire.......................................185
Highlands (Scotland) 105, 145
host country11, 14, 31, 36, 43, 46, 48, 54, 83, 91, 97, 144, 170, 199, 204, 236, 303, 305, 318
Huelva..................... 76, 77, 317, 330, 331
Huelva Brick and Tile Company Ltd. ... 76
Huevla Gas and Electricity Company ... 96
Illinois Investment Company........ 19, 204
India53, 74, 76, 78, 80, 81, 85, 91, 94, 98, 237, 298, 299, 300, 310, 314, 318, 319, 328, 331
India Jute Company 91
investment trusts22, 24, 40, 50, 56, 58, 234, 301
Irrawaddy Flotilla Company 74, 75
Irvine... 93, 317
JA Ranch... 24, 58
Jackson, W. Turrentine19, 31, 34, 35, 56, 57, 58, 61, 63, 64, 97, 99, 202, 204, 210, 212, 214, 240, 264, 298, 312, 315
Jamieson, George Auldjo108, 154, 209, 223, 230, 232, 284
Japan 72, 80, 86
Joint Stock Act of 1856.........................68
Joint-Stock companies 69, 71
Jones, Charles A.............................. 12, 17
Kerr, W. G.24, 31, 57, 58, 60, 61, 62, 63, 64, 97, 99, 212, 264
Lamb's Hotel, Dundee........................247
lifetime (companies)31, 68, 86, 87, 93, 110
Limited Liability............. 22, 68, 117, 317
Lisbon Royal Steam Navigation Company69, 72, 84, 328
livestock35, 38, 76, 77, 85, 87, 88, 89, 90, 97, 102, 104, 120, 143, 148, 155, 163, 166, 168, 178, 184, 194, 196, 244, 264, 267, 269, 280, 292, 314
London12, 21, 24, 47, 53, 57, 61, 68, 69, 71, 86, 93, 94, 105, 108, 109, 117, 129, 130, 132, 134, 140, 141, 143, 149, 169, 172, 173, 175, 197, 200, 209, 219, 241, 245, 263, 270, 277
Mackay, Alexander..................... 247, 291
Mackenzie, Murdo........................ 29, 259
management10, 13, 15, 23, 27, 29, 32, 33, 36, 37, 39, 43, 45, 57, 58, 63, 72, 100, 101, 106, 111, 120, 121, 124, 125, 131, 133, 136, 138, 139, 142, 143, 144, 145, 147, 148, 151, 155, 156, 162, 163, 164, 165, 167, 192, 196, 197, 199, 201, 202, 212, 213, 215, 216, 221, 223, 230, 233, 234, 236, 239, 240, 242, 246, 259, 260, 263, 267, 268, 269, 271, 272, 273, 275, 279, 281, 282, 283, 285, 289, 292, 294, 304, 308, 312
Matador Land and Cattle Company: Matador35, 239, 247, 320
Melbourne121, 159, 160, 171, 193, 195, 294
Melvin, James 27, 117, 132, 145, 170
Memoranda of Association 26
Menzies, William J. 233
Michie, Ranald............ 12, 51, 52, 66, 317
Michigan Investment Company 19
Missouri Land and Live Stock Company76, 85, 241, 331
Morton, James53, 54, 107, 109, 117, 130, 135, 138, 139, 142, 147, 151, 155, 279, 290, 292
Motley County, Texas......... 253, 254, 262
New South Wales: NSW104, 106, 119, 121, 140, 145, 147, 154, 157, 159, 160, 161, 185, 190, 191
New Zealand7, 8, 27, 33, 53, 54, 63, 76, 80, 84, 85, 89, 97, 101, 102, 103, 105, 107, 108, 109, 110, 111, 113, 114, 116, 117, 118, 119, 120, 122, 124, 126, 128, 130, 131, 132, 133, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 147, 148, 149, 150, 151, 152, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173,

174, 175, 176, 178, 179, 180, 182, 183, 184, 189, 191, 192, 193, 194, 195, 196, 197, 199, 203, 206, 237, 277, 279, 280, 281, 282, 285, 287, 289, 290, 292, 293, 295, 296, 297, 298, 301, 302, 305, 310, 314, 320, 328, 329, 330, 333, 334
New Zealand and Australian Land Company Limited.................. 27, 107, 145, 328, 333
New Zealand and Australian Land Company Ltd. (NZALC)8, 27, 28, 33, 53, 54, 55, 56, 61, 63, 101, 103, 105, 106, 107, 108, 114, 115, 117, 119, 120, 121, 122, 123, 124, 125, 126, 129, 130, 131, 132, 133, 134, 135, 136, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 165, 166, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 189, 190, 191, 192, 193, 194, 195, 196, 197, 200, 207, 210, 237, 277, 279, 280, 281, 282, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 301
New Zealand Meat Processing Company102
New Zealand Refrigeration Company. 102
nominal capital33, 34, 72, 87, 95, 108, 117, 147, 200, 204, 218, 242, 254, 314, 319, 323
non-Empire 13, 82
North America 74, 81, 84, 85, 266
North American Investment Company.. 19
North and South Sylhet Tea Companies95, 319
North British Australian Company 19
North Island (New Zealand) 105, 110, 173
organization32, 35, 55, 156, 201, 268, 271, 273, 278, 282, 288, 295, 296, 297, 302
Otago7, 8, 27, 33, 54, 101, 102, 103, 104, 107, 108, 109, 110, 111, 114, 116, 119, 122, 126, 130, 132, 138, 142, 144, 147, 155, 165, 166, 167, 278, 315, 328, 333
paid capital26, 63, 76, 83, 87, 93, 94, 95, 96, 97, 105, 109, 117, 138, 141, 147, 199, 200, 319, 322, 323
Pareora109, 112, 114, 115, 132, 155, 179, 180, 181
Payne, Peter L.31, 49, 50, 53, 64, 86, 99, 312
Pearce, W. M.35, 58, 59, 60, 61, 62, 63, 239, 246, 250, 251, 255
Port Philip .... See Victoria
Portgual... 72
Prarie Land and Cattle Company 263
preference stocks.................................. 23
Queensland104, 107, 119, 121, 126, 135, 136, 140, 144, 147, 152, 153, 159, 160, 161, 167, 169, 188, 190, 281
Railways: Railroads 309, 311
rent seeking... 36
Rhodes Stations................................... 109
Rio Tinto........................... 63, 77, 96, 138
River Plate Telegraph Company74, 97, 328
Robert Fleming 23, 24, 205, 206, 254, 265
San Francisco201, 208, 218, 219, 221, 225, 228, 229, 231, 233, 276, 277, 284, 286, 291, 294, 333, 334
Schmitz, Christopher J.17, 31, 40, 50, 51, 60, 64, 300, 312
Scotland8, 10, 12, 17, 18, 22, 23, 26, 27, 28, 30, 32, 33, 36, 40, 45, 49, 51, 52, 57, 60, 62, 68, 69, 71, 79, 82, 89, 93, 99, 101, 102, 103, 104, 106, 108, 113, 114, 116, 120, 123, 125, 126, 129, 130, 141, 142, 143, 144, 149, 153, 156, 158, 161, 178, 197, 201, 203, 206, 212, 218, 219, 221, 223, 225, 226, 230, 231, 232, 235, 236, 237, 238, 240, 241, 242, 246, 259, 264, 265, 266, 267, 269, 270, 274, 277, 280, 282, 286, 289, 290, 292, 297, 298, 299, 300, 302, 303, 306, 312, 317, 328, 330, 331, 333, 334
Scottish8, 10, 12, 16, 18, 19, 20, 21, 22, 23, 24, 26, 27, 28, 30, 31, 32, 33, 34, 35, 36, 38, 42, 49, 50, 51, 53, 54, 56, 57, 58, 59, 60, 61, 63, 64, 66, 69, 76, 77, 78, 81, 82, 86, 87, 88, 91, 93, 97, 98, 101, 102, 103, 104, 106, 107, 117, 124, 138, 142, 143, 144, 145, 146, 147, 148, 150, 154, 169, 193, 194, 197, 199, 201, 203, 204, 205, 206, 209, 212, 218, 219, 231, 232, 233, 234, 235, 236, 237, 239, 240, 245, 249, 254, 262, 263, 264, 265, 266, 268, 269, 270, 271, 273, 276, 278, 283, 284, 288, 291, 296, 298, 299, 300, 303, 305, 309, 312, 315, 318, 323, 329, 330, 331, 332
Scottish American Investment Co. 22
Scottish American Investment Trust 22
Scottish Mortgage and Land Investment Company of New Mexico 87, 331
Seville Sulphur and Copper Company95, 317, 320, 329, 330
Shareholders...69, 247, 250, 265, 320, 335
sheep8, 18, 19, 102, 105, 109, 123, 124, 125, 126, 134, 140, 142, 143, 145, 147, 154, 165, 169, 171, 172, 174, 186, 187, 189, 191, 192, 193, 196, 205, 285, 327
Smith, J. Duncan . 206, 209, 212, 214, 233
Sommerville, William Fife.................. 249
South Africa 80, 81, 98
South Island (New Zealand)109, 120, 132, 144, 147, 171
South Sea Bubble 18
Southland102, 119, 125, 126, 132, 140, 155, 166, 179, 193, 279
Spain13, 63, 74, 76, 80, 81, 85, 96, 299, 310
squatters 104, 143, 160, 186
Standard Industrial Classification26, 75, 85; SIC 68
Sydney 53, 106, 195, 294
Taprobane Tea Company 94, 332
Tasman Sea 104, 184
tea................................ 66, 77, 85, 94, 318
Tennant, Charles 70, 236, 317
Texas16, 24, 29, 57, 58, 61, 95, 206, 241, 242, 243, 247, 250, 253, 258, 262, 263, 264, 265, 269, 271, 282, 297, 320, 331, 332, 335
Texas Land and Cattle Company30, 95, 206, 241, 263, 265, 320, 331, 335
Texas Land and Mortgage Company24, 58
The Camperdown Trading and Pressing Co.... 92
The Swan Land and CattleCompany..... 92
Till Till 157, 160, 185, 186
Timaru.. 109, 115
transaction cost............ 44, 53, 59, 79, 268
United States: US55, 56, 74, 82, 102, 199, 218, 224, 298
US Federal Government........................ 79
Van Diemen's Land 18
Victoria ..18, 104, 106, 119, 135, 160, 185
Wellshot 161, 188, 189, 190, 193, 281

West Pacific Company Ltd. 72, 328
Wilkins, Mira11, 12, 13, 14, 15, 16, 17, 19, 20, 30, 32, 33, 37, 39, 40, 41, 42, 43, 44, 45, 47, 50, 51, 54, 56, 60, 61, 62, 63, 64, 66, 91, 133, 144, 202, 235, 266, 273, 288, 300, 304, 312
William Henderson . 93, 96, 299, 317, 320
William J. Menzies 23