

# Wealth Extremes in the Late Nineteenth Century Ontario: Where Were the Rich People?



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# Wealth Distribution in 19<sup>th</sup> Century Ontario



- Ontario wealth in the late nineteenth century, like other jurisdictions around the world, was marked by great inequality in wealth holding. The top one percent of the wealth distribution in Ontario owned 25 percent of the total wealth.
- Yet, compared to the United States, Britain or even new settler economies such as Argentina or Australia, Ontario seems curiously bereft of larger supercharged estates more characteristic of the Age of the Robber Barons.

# A Timeless Question...



- *"The really striking thing about the rich in Canada is how few of them there are," says Finn Poschmann, a senior policy analyst at the C.D. Howe Institute. It's been a quarter-century since former Conservative finance minister Michael Wilson pronounced Canada suffered from an "acute shortage of rich people." **Jason Kirby, "Pity the Rich" MacLean's Magazine, June 18, 2007.***

# Research Direction



- Data from census-linked Ontario probate records to explore the wealth holding of the top and bottom one percent of probate wealth holders. The data consists of 3,515 probated decedents from Ontario in 1892 and 3,641 decedents from 1902. See Di Matteo (2008).
- Question: While Ontario is marked by wealth extremes, where are the great fortunes of late nineteenth century Ontario? Was nineteenth century Canada marked by a *shortage* of rich people?

# Literature



- Studies of wealth accumulation document high rates of accumulation as well as found high degrees of wealth inequality, even in frontier areas of recent settlement.
- Along with these aggregate studies of inequality there is an important literature focusing on the wealth of individuals and elites in an effort to ascertain the extent of mobility over time.

# Estate Files and Wealth of Elites



- **Rubinstein (1977, 1988)**
  - probate and income tax records to examine the wealth of the English middle classes in the nineteenth century.
- **Shanahan (2001: 58)**
  - compares the share of wealth held by the top 1 percent of the wealth distribution for a number of countries between 1905 and 1925.
- **Lindert (1986)**
  - finds the share of wealth and real estate owned by the top one percent of wealth holders in England and Wales little changed between the late nineteenth and late twentieth centuries.

# Share of Top 1% Substantial



- Ohlsson, Roine and Waldenstrom (2008)
  - review historical wealth using wealth tax and estate data.
  - Over the period 1740 to 1920, they find the share of wealth held by the top 1% of wealth holders ranged from 43.4 to 59.8 percent in France, 43.6 to 69 percent in the UK, 51.5 to 53.5 percent in Sweden, 37.2 to 56 percent in Denmark and 37.2 to 47 percent in Norway

# The Ontario Data





# Characteristics



	<b>All Decedents</b>	<b>Top 1 %</b>	<b>Bottom 1 %</b>
<b>Proportion Male</b>	0.73	0.90	0.60
<b>Average Age</b>	61.45	68.05	49.40
<b>Proportion Urban</b>	0.44	0.92	0.64
<b>Proportion Farmer</b>	0.44	0.07	0.14
<b>Average No. of Children</b>	3.08	3.95	1.58
<b>Proportion Canadian Born</b>	0.45	0.34	0.51
<b>Proportion Married</b>	0.60	0.64	0.42
<b>Proportion Single</b>	0.12	0.05	0.28
<b>Proportion Anglican</b>	0.19	0.30	0.25
<b>Proportion Catholic</b>	0.11	0.11	0.13
<b>Proportion Literate</b>	0.92	0.99	0.90
<b>Proportion of Wealth in Land</b>	0.46	0.31	0.01
<b>Proportion of Wealth in Financial Assets</b>	0.38	0.58	0.44
<b>Proportion from Golden Horseshoe</b>	0.22	0.55	0.26

# Probit Regression Results (Dependent Variables – Being in Top or Bottom 1%)

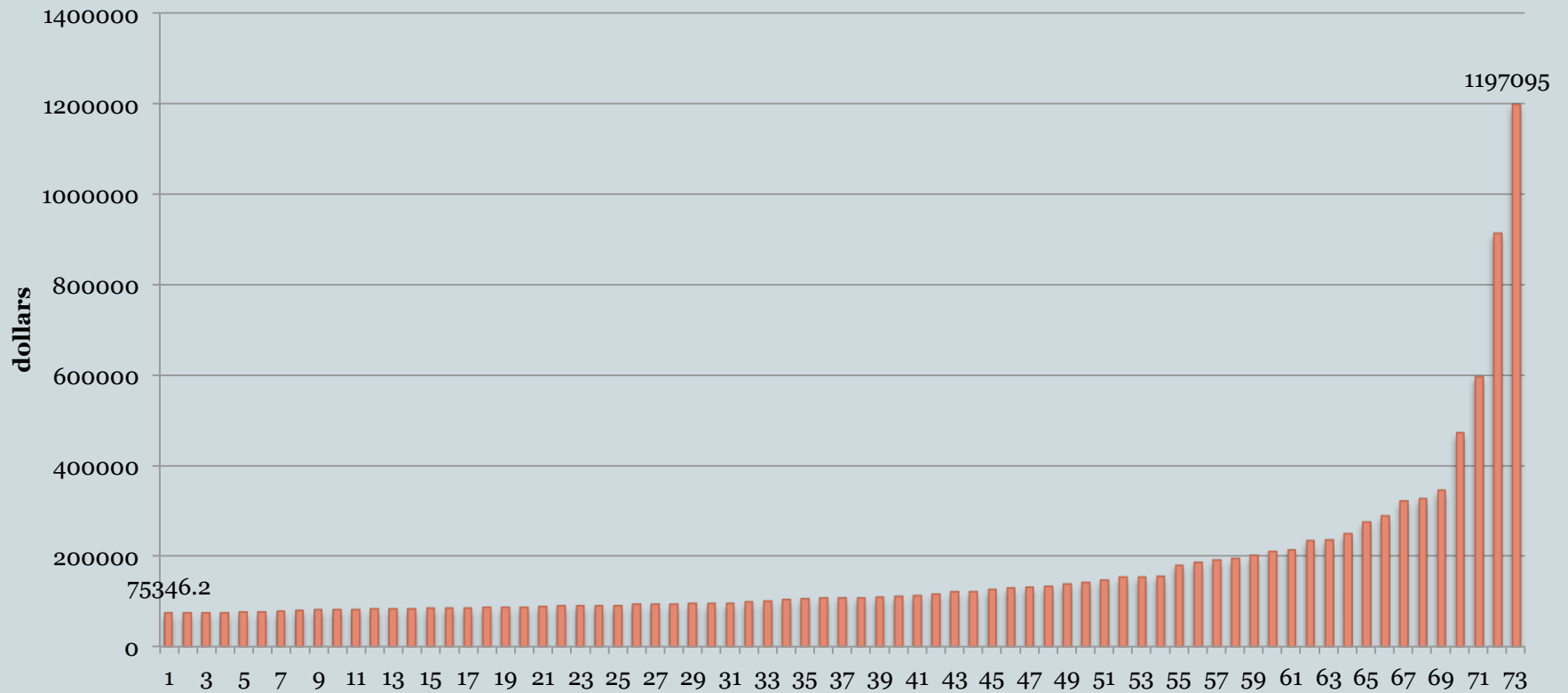


	Top One Percent		Bottom One Percent	
	Coefficient	Z	Coefficient	Z
Age	0.1086	2.76	-0.0430	-3.19
Age Squared	-0.0007	-2.39	0.0004	2.89
Male	0.7810	4.62	0.0136	0.12
Urban Resident	0.6999	3.90	-0.0139	-0.12
Had a Will	0.6815	3.40	-0.8084	-7.11
Number of Children	0.0707	3.45	-0.0557	-2.31
Canadian Born	0.2657	2.18	-0.1306	-1.12
Farmer	-0.7527	-3.82	-0.4222	-2.85
Married	-0.1378	-0.56	0.0344	0.23
Married but Spouse Deceased	-0.0781	-0.30	0.2600	1.48
Catholic*	-0.0431	-0.23	-0.0961	-0.57
Presbyterian	-0.0534	-0.38	-0.3103	-2.11
Baptist	-0.3165	-1.01	0.0263	0.12
Methodist	-0.3823	-2.33	-0.1114	-0.82
Other Religion	-0.0372	-0.19	0.1356	0.79
Could Read and Write	0.6212	1.50	-0.0940	-0.52
Resident of Golden Horseshoe	0.4719	4.31	-0.0765	-0.66
Probated in 1902	-0.1960	-1.79	0.0339	0.35
Constant	-8.5348	-6.13	-0.3418	-0.89
n	7156		7156	
LR chi2(18)	210.5		139.82	
Pseudo R2	0.2584		0.1626	
*Anglicans are the omitted category				

# Top 1 Percent



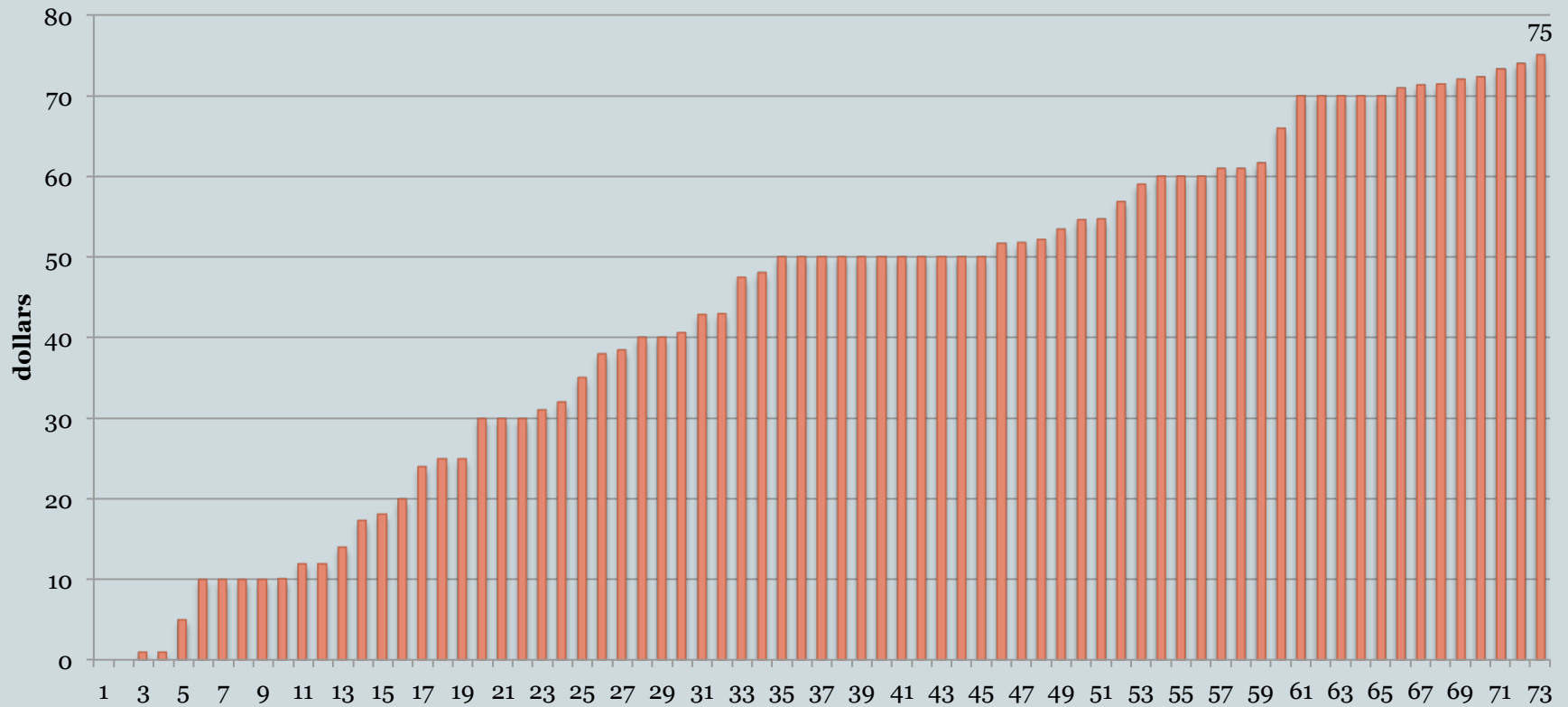
## Pen's Parade: Top One Percent of Ontario 1892 and 1902 Probated Decedents



# Bottom 1 Percent



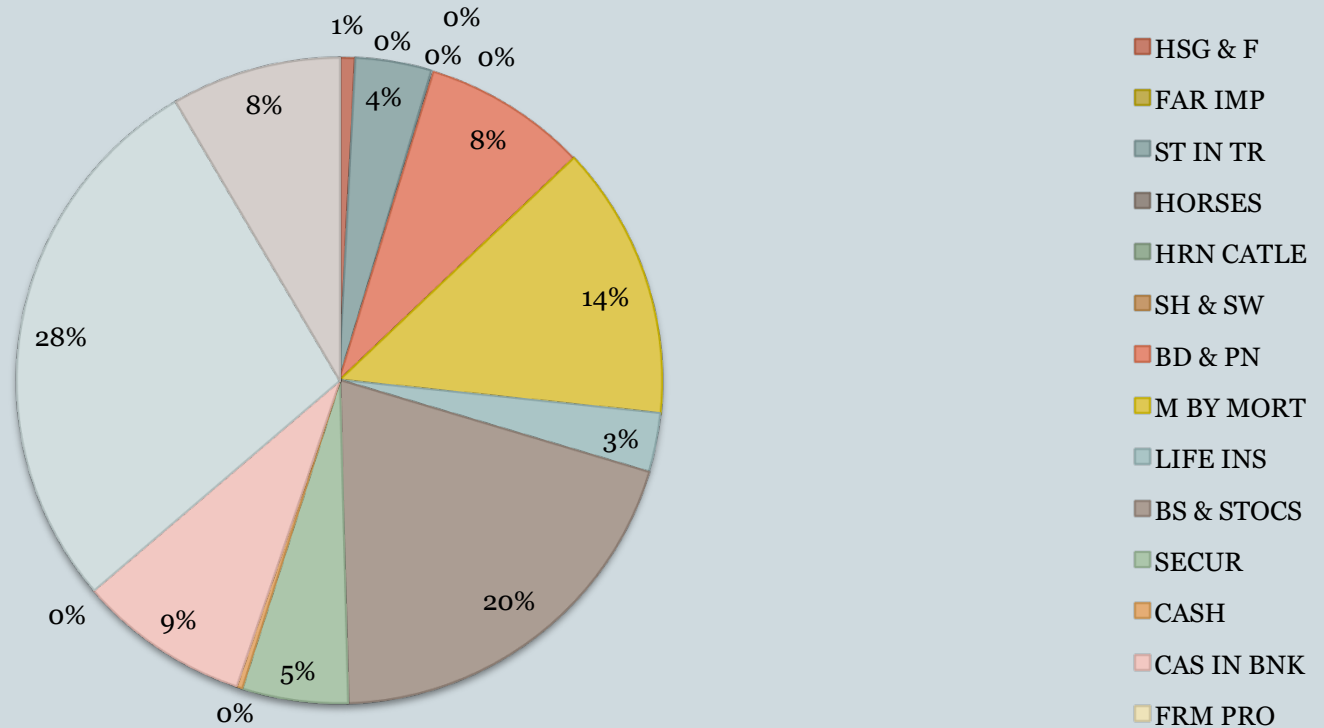
## Pen's Parade: Bottom One Percent of Ontario 1892 and 1902 Probated Decedents



# Portfolio of Top 1%



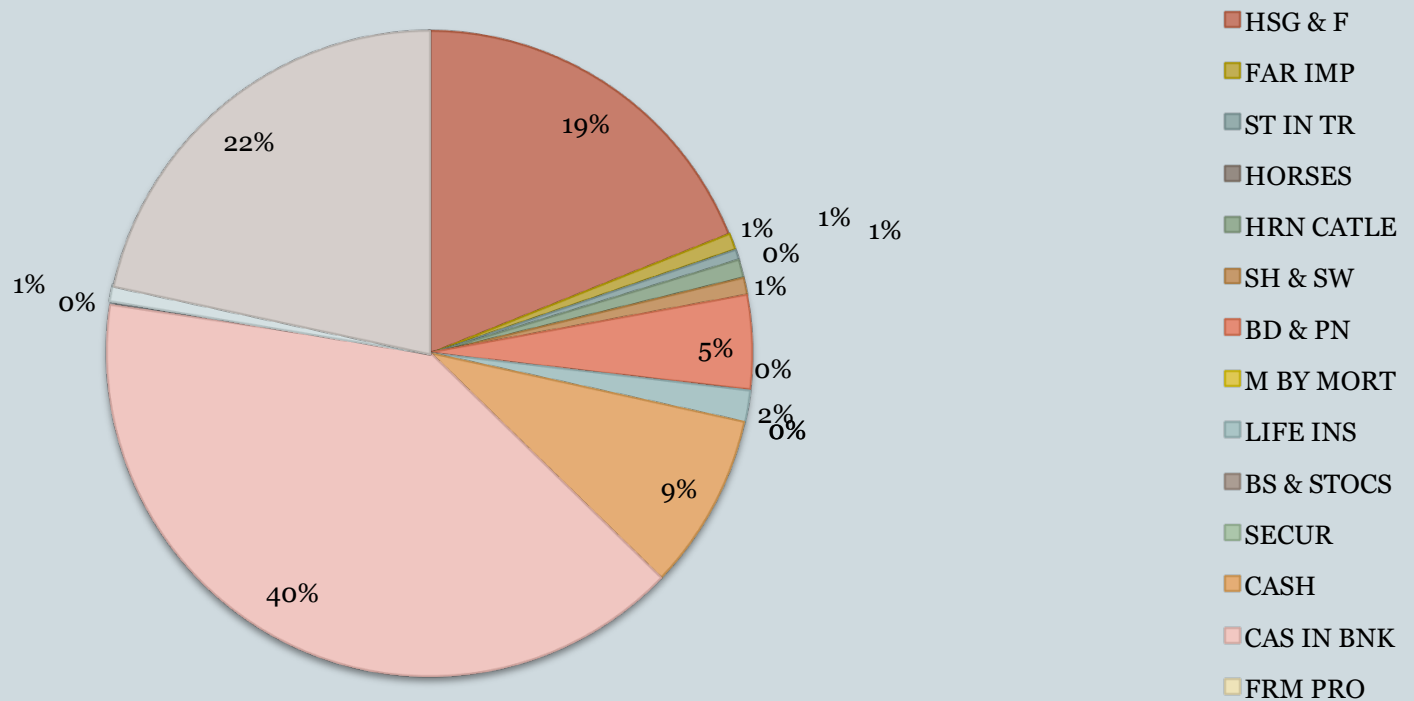
## Portfolio Composition for the Top 1% (Average Wealth \$169,415)



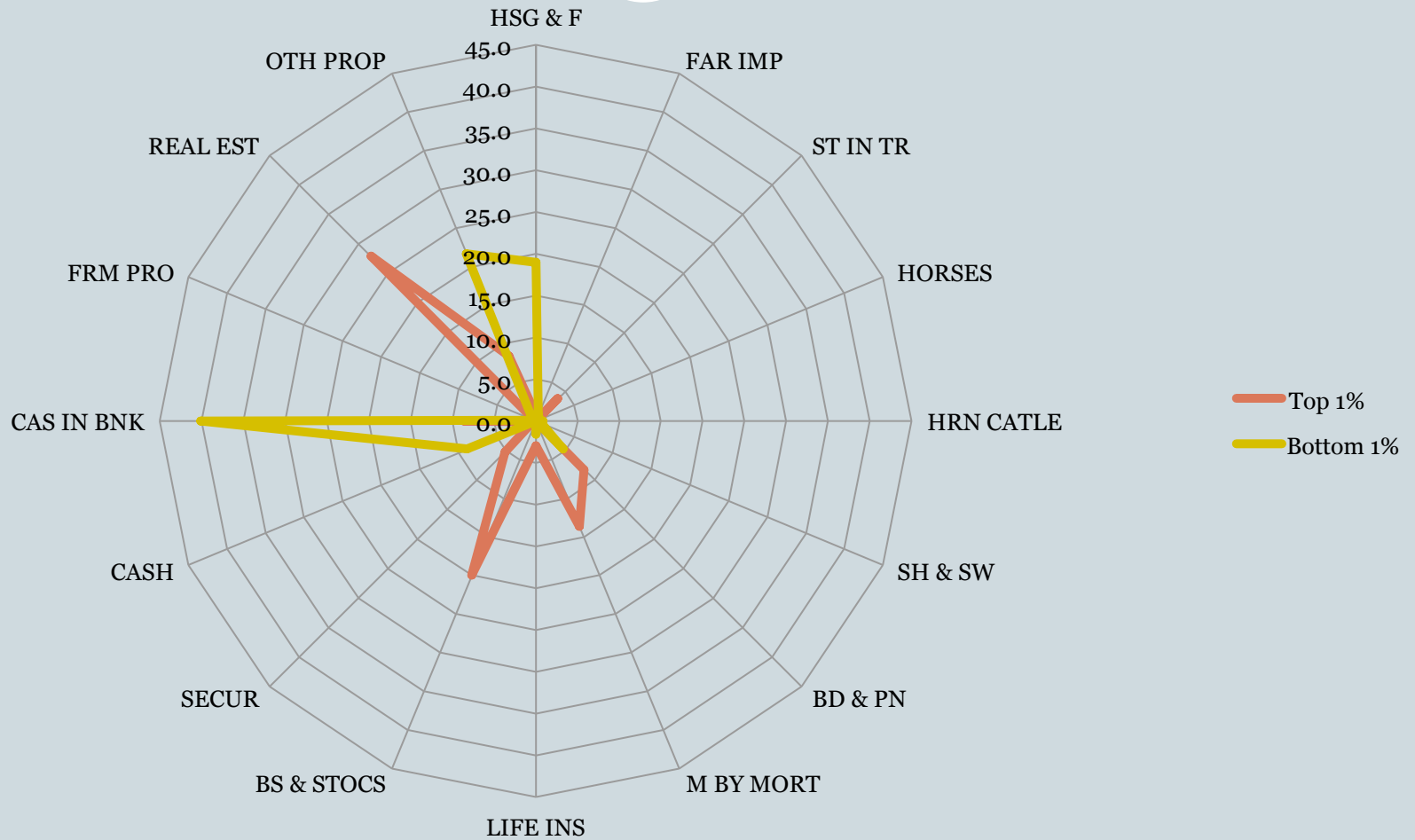
# Portfolio of Bottom 1%



## Portfolio composition of the Bottom 1% (Average wealth: 43 dollars)



# Portfolio Comparison (% Shares)



# The Richest and Poorest



## The Bottom Ten Wealth Holders

Name	Occupation	Gender	Age	Wealth(\$)
New, Charles S.	Labourer/Teamster	Male	42	10.10
Davis, Squire Lyman	Laborer	Male	23	10.00
Pilcher, Charles F.	Gentleman/Mariner	Male	24	10.00
Armstrong, Daniel	Labourer	Male	25	10.00
Van Allen, Isaac	Brakesman	Male	26	10.00
Davis, Adrian	No Occupation	Male	22	5.00
Webster, Margaret W.	No Occupation	Female	49	1.00
Woods, Anna	No Occupation	Female	50	1.00
McDonald, Henry	Watch Brakeman	Male	51	0.00
Sabourin, Charles	Farmer	Male	37	0.00

## The Top Ten Wealth Holders

Name	Occupation	Gender	Age	Wealth(\$)
McKay, William	Lumber Merchant	Male	82	1197094.48
Cawthra, Joseph	Esquire/no occupation	Male	67	913131.45
Leys, John	Merchant/Retail Salesman	Male	50	596960.55
French, James	Gentleman	Male	75	472483.34
Thistle, William Ryan	Lumberer/Lumber merchant	Male	54	345434.04
Howland, Henry S.	Merchant/Bk President	Male	77	326963.00
Munro, John W.	Lumberman	Male	51	321405.00
Kay, John	Merchant	Male	73	289214.80
Campbell, Duncan	Esquire/No Occupation	Male	89	275586.35
Best, Thomas	No occupation	Male	70	249694.26



# International Comparisons



# Top 1% Wealth Share for Selected Countries and Years



<b>Time Period</b>	<b><i>UK</i></b>	<b><i>France</i></b>	<b><i>USA</i></b>	<b><i>Sweden</i></b>	<b><i>Norway</i></b>	<b><i>Ontario</i></b>
1868					36.0	
1875	61.1					
1877		47.1				
1892/1902						25.2
1908				53.5		
1911	69.0	57.7				
1912					37.2	
1916			38.1			
1920				51.5		

## Notes:

1. Source: UK, France, USA, Sweden, Norway from wealth and estate tax data. See Ohlsson et al., (2006). For Ontario, probate records.
2. Wealth tax in Sweden and Norway uses variants of household as tax unit. USA, UK, France based on deceased individuals.

# Top 1% in Ontario, Britain, Australia



	Average Wealth (US\$)	Share of Total Wealth (%)
Australia 1905-1915 - Shanahan	167434	16.7
England & Wales 1875-Lindert	405275	27.8
Ontario 1892-1902	169415	25.2

	Average Wealth Ratios	
	Top 1% to Top 10%	Top 1% to Bottom 10%
Australia 1905-1915 - Shanahan	3.1	3346.2
England & Wales 1875-Lindert	3.8	1176.9
Ontario 1892-1902	4.3	737.9

# Argentina & Ontario



- Hora (2012): An examination of the 17 top manufacturing fortunes over the period 1880 to 1920 generates an average wealth of \$851,000 U.S.
- Rubinstein's estimate of the typical Victorian manufacturer's estate in the range of 100,000 pounds (or \$US 500,000).
- Ontario top one percent includes twelve individuals in the manufacturing – manufacturing (7), brewing (3), saw mills (1), and distilling (1). Their average wealth ranged from a low of \$76,593 to a high of \$236,140 with an average of \$123,602

# Ontario Then and Now



## Top 10 Ontario Probated Decedents 1892-1902

Name	Occ/Business	Location	AGE	Wealth in 2011 (\$bbl)
Cawthra, Joseph	Esquire/no occupation	Toronto	67	2.24
McKay, William	Lumber Merchant	Ottawa	82	1.84
Leys, John	Merchant/Retail Salesman	Toronto	50	1.47
French, James	Gentleman	Toronto	75	1.16
Thistle, William Ryan	Lumberer/Lumber merchant	Ottawa	54	0.85
Howland, Henry S.	Merchant/Bk President	Toronto	77	0.50
Munro, John W.	Lumberman	Pembroke	51	0.49
Kay, John	Merchant	Toronto	73	0.71
Campbell, Duncan	Esquire/No Occupation	Simcoe	89	0.68
Best, Thomas	No occupation	Toronto	70	0.61

## Top 10 Richest Ontarians in 2011: Source-Canadian Business

Name	Occ/Business	Location	AGE	Wealth in 2011 (\$bbl)
Thomson Family	Media, information distribution	Toronto	-	21.34
Galen Weston	Food, groceries, retail, real estate	Toronto	71	8.00
Rogers Family	Cable TV, communications, media, sports	Toronto	88	5.94
Bernard Sherman	Pharmaceuticals	Toronto	69	3.31
Carlo Fidani	Real Estate	Toronto	57	3.18
Alan, Clayton & Barry Zekelman	Steel Tubing	Windsor	49	2.62
Wallace McCain estate	Frozen Foods	Toronto	81	2.47
Allan Slaight	Broadcasting	Toronto	80	1.91
Reichmann family	Real Estate	Toronto	-	1.83
Seymour Schulich	Mining, Oil & Gas	Toronto	71	1.75

So....



- New York Times lists wealthiest Americans in history in 2007 dollars.
- Top 10 fortunes ranged from a high of 192 billion US dollars for John D. Rockefeller to a low of 64 billion US dollars for Stephan Van Rensselaer. Of these top 10 fortunes, only one is from the modern era – Bill Gates –while the remainder made their fortunes prior to the period of the Great Depression.

## By comparison...



- The wealth of the top 10 fortunes in Ontario today ranges from 1.75 to 21.34 billion dollars, the comparable amounts for Ontario's top ten in the late nineteenth century would range from \$610,000 to \$2.24 billion. Compared to some of the largest American fortunes in history, all of these Ontario fortunes seem somewhat modest.

# Questions



- Where are the great fortunes of late nineteenth century Ontario?
- Where are Canada's great fortunes if they are not to be found in late nineteenth century Ontario probate records?



# Answer # 1



- Really bad luck.
  - Very rich people in nineteenth century Ontario did not probate their estates in years ending with the number “2”.
  - Estate taxation in Ontario arrives in 1892.

## Answer # 2

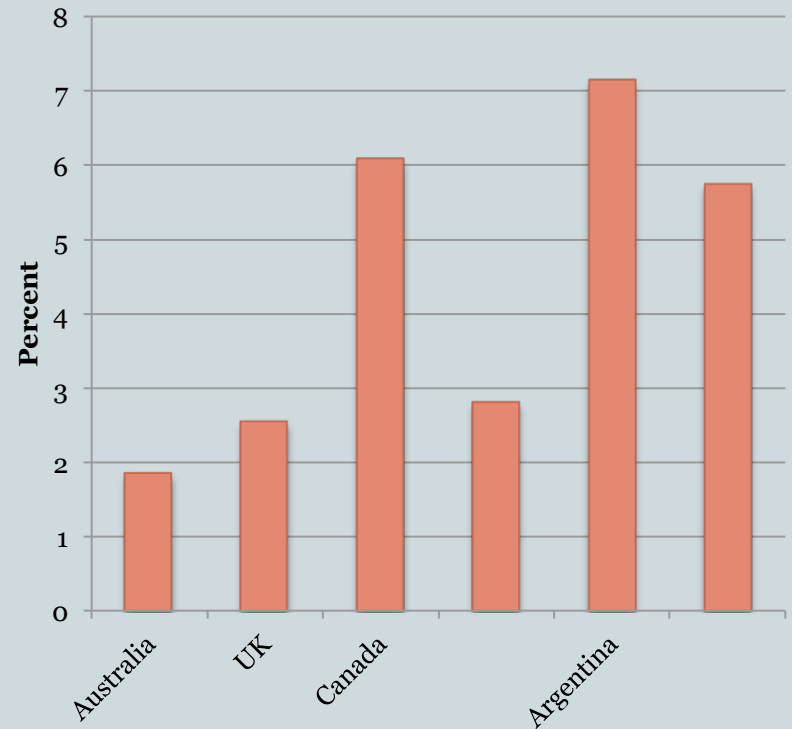


- Late nineteenth century Ontario had not yet had the great spurt of economic growth and development opportunity necessary to generate American style fortunes.
- This data is 1892-1902 and great Canadian growth spurt is after 1900.

# Growth Rates

- Real GNP growth in Canada exceeds that of most countries.
- But, much of this growth was after 1900.
- Prior to 1900, substantial outmigration by Canadians to USA

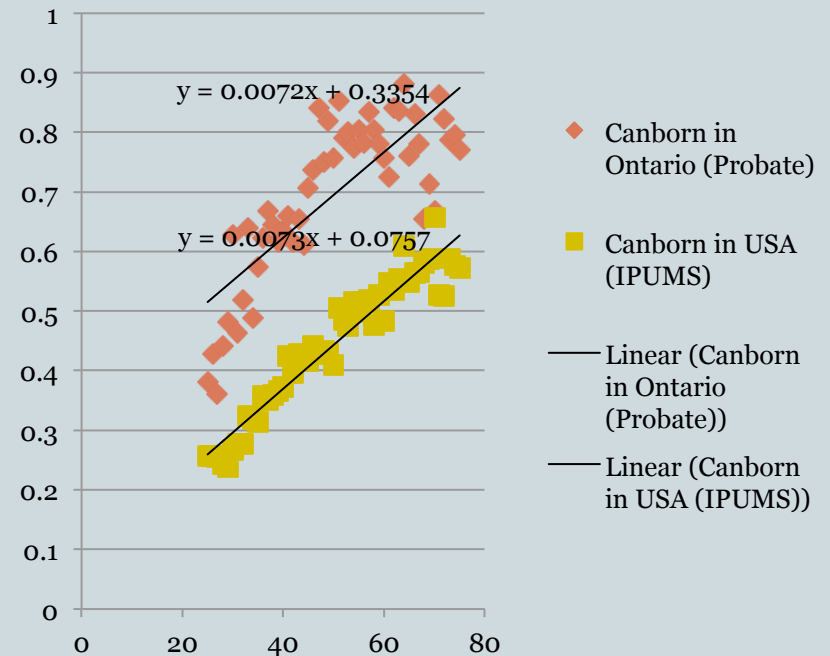
**Average Annual Growth Rate of Nominal Per Capita GDP, 1870-1929**



# Comparing Canadians

- Canadians who moved to US likely had better opportunities on average for wealth accumulation.

## Comparing Canadian Born Aged 25 to 75 Living in Ontario and USA Reporting Real Estate Ownership with Linear Trend



## As well...



- Undoubtedly great fortunes to be had in the exploitation of natural resources as well as in transportation – particularly **railways**
- **Eg.** Thomas Brassey – a civil engineering contractor who helped build the Grand Trunk Railway in the 1850s died in 1870 with a fortune of nearly 7 million pounds or 35 million dollars. As a share of Canadian GDP in 1870 and then applied to GDP in 2011, this would be the equivalent of 157 billion dollars today. Myers (1914: 181).
- But: Brassey an English civil engineer and worked around the world.

## Answer # 3



- Canada's wealth elite was not in Toronto but in Montreal. Montreal was indeed Canada's dominant economic center until the immediate post-WWII era.
- Montreal a greater center for financial wealth and a large share in financial wealth in particular marked the portfolios of the wealthiest individuals in society.
- “Square milers”
  - Donald A. Smith (Lord Strathcona) who died in 1914 with an estate valued at 28.9 million dollars, yet even he spent much time in England in later years.

# Conclusions



- Ontario was not an egalitarian paradise as there were great extremes in wealth with the top 1 percent reporting an average wealth of 169,415 dollars – an amazing 3,940 times that of the bottom one percent.
- Yet, compared to the United States, Britain or even new settler economies such as Argentina or Australia, Ontario seems curiously bereft of larger supercharged estates more characteristic of the Age of the Robber Barons.

# Possible Explanations



- It is possible that Ontario of the late nineteenth century had not yet had the great spurt of economic growth and development opportunity necessary to generate American style fortunes.
- The wealth being generated in the Canadian economy at this time was more likely to be found in Montreal rather than Toronto.
- As well, during this time period, it is also possible many successful businessmen would often leave Canada upon retirement.



# Final Words



- Perhaps it is not that nineteenth century Canada did not generate rich people, it simply did not hang on to them in the long run thereby generating perceptions of a shortage of rich people in Canada that persist to the present.