

Moose Pastures and Mergers: The Ontario Securities Commission and the Regulation of Share Markets in Canada, 1940–1980. *By Christopher Armstrong.* Toronto: University of Toronto Press, 2001. x + 424 pp. Photographs, appendices, notes, index. Cloth, \$60.00. ISBN 0-802-03510-8.

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The development of effective capital markets was a crucial condition for the emergence of managerial capitalism. However, as recent events (like the Enron and WorldCom debacles or the Bre-X Minerals' gold-mine fraud) demonstrate, even in prosperous capitalist nations institutional deficiencies repeatedly have bedeviled investor confidence. Because governmental authorities often have been reluctant to interfere with capital movements, securities regulation has tended to be a problematic subject, with new guidelines elaborated in response to scandals or perceived crises versus proactive initiatives that anticipate market activities.

Christopher Armstrong has generated an impressive body of work covering the interrelated fields of federal–provincial relations, business regulation, and public utilities. This volume concludes his appraisal of the evolution of Canadian securities regulation, and it is a worthy sequel to *Blue Skies and Boiler Rooms: Buying and Selling Securities in Canada, 1870–1940* (1997). Both books employ exceptional scholarship, as he has assembled fragmentary records and public documents to chart the uneasy evolution of Canadian practices. Armstrong's contribution will be welcomed by business scholars and practitioners because, despite its significance, the subject has received limited attention in Canada. *Blue Skies and Boiler Rooms* reviewed the emergence of local capital exchanges, the attempts at voluntary controls by investment dealers, and the constitutional conflicts that produced a system characterized by regulation at the provincial level rather than by a dominant national authority. *Moose Pastures and Mergers* takes a more selective approach and concentrates upon the province of Ontario, which oversaw the largest capital market in the country, a logical approach given the complexity of regulatory issues between 1940 and 1980. However, it also means the analysis does not fully review the subsequent development of the Canadian economy and the implications for securities

regulation. Nor does it highlight the continued diversity of provincial practices, which remains a troublesome dimension of Canadian market oversight.

Nearly half of the book deals with the efforts of the Ontario Securities Commission (OSC) to mitigate abusive conduct across two decades via self-regulation by investment dealers. The failures of this regime are given sustained treatment: the unwillingness of the OSC to police high-pressure marketing of speculative shares, numerous conflicts with American authorities, ineffective disclosure of company affairs, and a seemingly perpetual stream of frauds, swindles, and market manipulations. Armstrong reveals with zest the machinations of shady promoters and their frequent success in evading prosecution or serious penalties. The notorious Windfall scandal, which involved an attempt to groom investors for a worthless mining claim (a “moose pasture”) triggered a major investigation and the transition toward more stringent controls after 1965. The second half of the book appraises the incremental adoption of a regulatory framework based upon the concepts of full disclosure and universal registration of all parties engaged in securities trading. It explores the new issues that preoccupied regulators: the treatment of American brokers and investment bankers in Canada, the problems associated with large-scale mergers and insider dealing, as well as the reluctant shift away from the use of a fixed commission system for stock dealers and the acceptance of competitive pricing.

Armstrong’s approach is empirical and descriptive, as he charts the twists and turns of different incidents or the construction of new legislation, but he does not advance an overarching interpretation to aid the reader in comprehending the patterns of those developments. He avoids the use of economic or legal theory, other than to deny that the OSC was “captured” by the very parties it was intended to regulate. Rather, the inability of provincial authorities to maintain vigilant supervision is attributed either to their fear of discouraging investment or to the interpersonal relations that often characterized the small worlds of Canadian business and public administration into the late twentieth century. Ironically, in this volume, Armstrong seems less critical of personal foibles or stock shenanigans. He largely exonerates Viola and George MacMillan, architects of the Windfall promotion, and attributes the resulting debacle to market mania and rumor, a judgment many observers still cannot share. Still, Armstrong is good at bringing out the

conflicts of interest that often unfolded as the public officials who developed the regulatory framework departed and then lobbied on behalf of the affected parties against stringent application of new rules or guidelines. These issues will be familiar to Canadian scholars, but readers from other countries may not appreciate the systemic nature of these practices since the broader framework of Canadian business and government is outlined only briefly. Although there are appendices with stock-price indexes, no tables or figures illustrate the volume of securities trading or the ownership and organization of the domestic financial sectors.

Given the dearth of Canadian scholarship about the subject, business scholars and practitioners alike will wish this book went further, although Armstrong conveys many valuable insights. Like the earlier volume, he focuses upon the abuses associated with speculative mining investments. Alternate issues resulting from the emergence of large industrial or financial corporations receive cursory attention. The implications for market governance associated with continental economic integration and extensive foreign ownership also might have been explored. Canadian securities regulators remain less demanding about disclosure than their American counterparts, and they have emphasized governance via professional norms rather than the rule-driven format favored by the Securities and Exchange Commission. Each approach has significant strengths and weaknesses, and a fuller discussion of these institutional questions could have strengthened the narrative. Still, *Moose Pastures and Mergers* provides sobering evidence about the institutional difficulties of market regulation and will serve as an essential reference for future Canadian scholarship.

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