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"Money bound you—money shall loose you": Micro-Credit, Social Capital, and the Meaning of Money in Upper Canada

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In late 1832, a small religious sect, the Children of Peace, completed their second place of worship, a temple, in the village of Hope in the sparsely settled northern reaches of Toronto's rural hinterland. Called by a vision to "ornament the Christian Church with all the glory of Israel," the Children of Peace rebuilt Solomon's temple as the seat of their New Jerusalem (Schrauwers 1993; 2009). As William Lyon Mackenzie, newspaper editor, mayor of Toronto, and member of the elected assembly for the riding enthused, this three-tiered building was "calculated to inspire the beholder with astonishment; its dimensions—its architecture—its situation—are all so extraordinary" (*CA* 18 Sept. 1828). The Children of Peace, having fled a cruel and uncaring English pharaoh, viewed themselves as the new Israelites lost in the wilderness of Upper Canada; here they would end sectarianism and rebuild God's kingdom on the principle of charity. It is important to stress both the symbolism and the intended function of this, their second church; the highly symbolic temple was intended solely for their monthly alms sacrifice for the poor "Israelite fashion." The Charity Fund they collected there was utilized for "the relief of the poor of the contributors, and others" (Sharon Temple n.d.: 11), as well as the support of a shelter for the homeless (Schrauwers 2009: 47). Targeted recipients included victims of a cholera epidemic in Toronto and starving pioneer settlers in the outlying districts (*CA* 23 Aug. 1832; *Constitution* 4 May 1837).

The Charity Fund of the Children of Peace indicates the close interrelationship of their gift and the market economy, to the reversible flows of social and economic capital.[1] Soon after they completed their temple and founded their

[1] Arjun Appadurai (1986) has alternately described these back and forth flows of objects in and out of the market sphere in terms of the dual processes of singularization and commodification. His

friendly society, members of the Children of Peace complained that the unspent remainder of the Charity Fund was "a loss of interest obstructing to benevolence and makes money useless like the misers' store."[2] The Children of Peace adapted their practice, using the same fund for both gifts of charity as well as for loans to members. Members who borrowed from the Fund paid interest, transforming it into an endowment for further charity (and further loans). Since they controlled the loan process themselves, they could ensure that terms were manageable, that no one was denied credit, and that the repayment of the principal remained flexible in difficult times.

Members of the Children of Peace also took a lead role in a similar joint stock company, the Farmers' Storehouse, Canada's first farmers' co-operative, which also began to offer loans to members in this period (Schrauwers 2009: 98–124). This points to the interrelationship between eighteenth-century "moral economies" and the developing nineteenth-century "associational economy" of utopian socialists in Britain and Ontario (Claeys 1987: 2–9). In July 1831 the directors of the Farmers' Storehouse advertised that they would petition the Legislative Assembly for "a charter for a Farmer's Store House Bank, &c" (*Canadian Freeman* 18 July 1831). Although their petition for a charter was stymied in the Assembly, the storekeeper called a meeting at the village of Hope (where the Children of Peace had settled) in March 1833 to "depose $500 at a proper treasurer" and then authorize the issuance of "promissory printed drafts," or banknotes. The company's president at this time was Samuel Hughes, an elder of the Children of Peace. This move put the Farmers' Storehouse Bank plan into action even without legislated incorporation. In 1835 the Children of Peace also played a role in the creation of the joint stock "Bank of the People" (Schrauwers 2009: 151–75).

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emphasis on reversible flows stands in contrast to earlier substantivist economic theories emerging from the work of Karl Polanyi that stressed distinct spheres of exchange, such as the "gift economy" literature I critique here. The most extreme formulation of this position (although in a Marxist vein) was Gregory (1982). Bohannon's classic formulation of "spheres of exchange" in the Tiv economy in northern Nigeria (1959) had noted the porousness of alternate exchange spheres under the onslaught of "general purpose money." Bloch and Parry (1989) argue, in turn, that such reversible flows between "transactional orders" promote procedures to socialize money, such as the Temple ceremonies described here. Graeber (2001: 94), however, notes that money is particularly difficult to "singularize" (unlike the "inalienable possessions" described by Weiner) due to its generic nature, with any dollar the same as another. Graeber (115) argues that "money" can become a fetish (like those inalienable possessions) only if it is rendered invisible and withdrawn from circulation and so becomes an abstract reflection of historical desire now mistaken as intrinsic power. It is clear from the context, however, that Graeber is speaking of coinage; the value of a paper note depended, in contrast, on its continued circulation, on its being a material referent of the immaterial social capital of its creators, hence my turn to Bourdieu, and his concept of the reversible conversion of inalienable into alienable "capitals." Paper money can continue to circulate endlessly since it has exchange value, but no use value.

[2] Ontario Archives 1832.

Thus, it would be a mistake to place too much emphasis on the ideology of the gift, of the "good Samaritan," in the development of the Children of Peace, despite their Temple devoted to charity. By the mid-1830s in Upper Canada, charity within this subsistence-oriented farm community was increasingly replaced by the extension of mutual credit, of loans of banknotes, in a progressively more market driven society. However, we err if we assume a fundamental opposition between a (waning) gift-based, moral economy of a nascent working class (unsuccessfully) struggling against an increasingly capitalist society (Schrauwers 2008). Several paradoxical elements of this "great transformation" require a more nuanced reading. The use of a single fund for both gifts and loans by the Children of Peace begs the question: given the opportunity to receive free gifts in times of need, why would they seek to pay interest on loans instead? In choosing a loan over the gift, they apparently rejected the amity of community for faceless market exchange, just as they had come to ritually focus their community on the ideal of charity as the centerpiece of God's kingdom on earth.[3] We need to ask, how was their conception of money itself transformed such that they shifted from gifts of cash, to the loaning of "notes"? What exactly did the note embody? What, in other words, was the nature of paper currency in the era?

I would argue that the paradoxical uses of the Charity Fund indicate the "poison of the gift" (Parry 1989: 66–77); despite attempts by the Children of Peace to sacralize the giving of charity, accepting charity proved an assault on the recipient's "respectability." This morally laden word had economic and political ramifications that we no longer recognize; it signified an economic "competency," political independence, and hence the right to vote (Russell 1990: 77–80). The acceptance of alms publicly demonstrated the recipient's insolvency and thereby opened them to lawsuits for the collection of debts that could ultimately see them jailed indefinitely. Paper currency, in contrast, was then an innovation. Banknotes were representations of debt, not wealth; they were IOUs that could also serve as a means of exchange. By transforming social into economic capital, a banknote, recipients were able to demonstrate their respectability, their credit worthiness. This article thus examines the divergent processes by which social capital was converted into economic capital—money—in early-nineteenth-century Ontario as banknotes (a paper currency) were introduced as a medium of exchange for the first time. Specifically, it contrasts the banknotes of the Farmers Storehouse with those of the elite-run Bank of Upper Canada. This example provides a concrete historical case in which the assumption of a distinct, disembedded economic sphere is inapplicable, and

[3] The average amount borrowed from the fund was almost exactly equal to the average amount for which defendants were sued for debt in the district courts (a point discussed shortly). Of the twenty-six borrowers (in sixty-one loans), twenty-one were members, and five non-members. Members borrowed more frequently and in larger amounts (Schrauwers 1998: 61).

makes necessary a wider "economy of practices" that incorporates a conception of social capital (Bourdieu 1977: 177–97). It also indicates the means by which a separate economic sphere was ideologically created. This case exemplifies the process described by Robert Putnam (1993) by which mutual obligation and trust encourage a culture of political participation in democratic political processes; social capital "makes democracy work."

It is easy to draw parallels between the mutual credit friendly societies in the 1830s in Upper Canada and the current debate in the development literature on microfinance and social capital. Since the 1990s, World Bank economists have seemingly embraced Polanyi's argument on the "embeddedness" of economic activity in social institutions ("construed as norms and values that guide practice in the context of real-life risks and knowledge imperfections") (Rankin 2004: 21). Using this rationale to "bring the state back in" to the management of the economy, the "new institutionalists" have sought to sponsor good governance and specifically, to foster social capital, which they argue correlate positively with political democracy and economic growth. The World Bank has thus set its task as investing in social capital. Its guiding assumption is that mutual aid is more effective than the welfare care provided by corrupt states; it offers a populist rationale for the cutting of public expenditures mandated by neo-liberalization and structural adjustment packages. This rationale differs little from early English encouragement of the friendly societies in the late eighteenth and early nineteenth centuries, when the middle classes legislatively supported self-help solutions to mitigate the escalating parish poor rates that precipitated the Malthusian Poor Law of 1834. Mutual aid is similarly to fill the vacuum left by the gutting of the welfare state today. Grameen Bank-style micro-credit financing schemes have been touted, in particular, as a means of translating the social capital of the poor into economic capital, prosperity, and democracy (Foschi 2008; Dowla 2006).

Bourdieu, in contrast, provides an alternate conception of social capital that emphasizes its class logic. In Bourdieu's "economics of practice," non-economic forms of "capital" such as honor and obligation are used to account for the social and cultural dimensions of profit making in the economic sphere.[4] They are a form of social investment that generate non-material forms of wealth—*distinction*—that are valued in and of themselves, but that also form the ideologic dimension of purely economic practice; in this case, the ideologic backing of the banknote. "The only way to escape from the ethnocentric

[4] It is important to underscore that Bourdieu's utilization of the capital metaphor is not inspired by Marx, or by a historically specific theory of capitalism (Calhoun 1993: 68). It is, rather, a theory of exchange that recognizes the tendency in capitalist societies noted by Marx that money levels all differences and comes to serve as a universal equivalent. It is this historical process by which money levels qualitative differences that allows for the "conversion" of forms of capital. The ever-expanding field of economic capital is most easily converted into money, whereas social capital (resources based on group membership) is less so.

naiveties of economism, without falling into populist exaltation of the generous naivety of earlier forms of society, is to carry out in full what economism does only partially, and to extend economic calculation to all the goods, material and symbolic, without distinction, that present themselves as rare and worthy of being sought after in a particular social formation" (Bourdieu 1977: 177–78). Bourdieu's arguments are themselves a classic response to the anthropological literature on generalized reciprocity underlying Putnam's conception of social capital that allows analysis of the role that reciprocity, redistribution, and householding play in the maintenance of economic and class hierarchies; that is, the class logic of reciprocity (Rankin 2004: 34).[5] Unlike the new institutionalists who treat non-economic exchange as a benign alternative to capitalism, Bourdieu's theoretical frame pays equal attention to social capital's potential for ideologically cementing class inequalities.

This article thus highlights how the social inequalities that impoverished the poor were structurally produced through early liberal economic policies. I look specifically at the class logic of the conversion of social into economic capital in early Upper Canada, with particular emphasis on the social and ideological dimensions of economic capital. Radically different kinds of social capital could be translated into wealth and that wealth could be used to reinforce class position rather than democratic association. We can contrast the conception of money just discussed with that behind the banknotes created by the Bank of Upper Canada. These banknotes were "empty promises," fetishes of the social capital that tied the bank to the elites of church and state. Unlike the notes of the mutual credit organizations that embodied their mutual obligation, the Bank of Upper Canada's shareholders were protected by limited liability, by their legal right *not* to repay. The bank's notes were a fetish of debt whose favorable acceptance as a store of wealth depended upon the social—not economic—capital of its shareholders. Although aspects of this case study supports Putnam's linkage of mutual aid associations and deliberative democracy, it also highlights that deliberative democracy is a contestational political process between opposing class interests with unequal resources. I will conclude the article with an analysis of that staple of Canadian history, the Rebellion of 1837, in terms of Putnam's original aim of "making democracy work," and its implications for current mutual aid loan associations such as the Grameen Bank (1993).

[5] Although I am invoking Bourdieu's formulation of "social capital" as a counterpoint to Putnam's, I should underscore that this analysis draws equally on actor-network approaches. This attention to networks (which accepts the agentive qualities of the material—"the liveliness of the banknote") traces the social context that guarantees the circulation of money within specific transnational circuits/commodity chains. Actor-networks are never stable, but are performative renegotiations of abstracted value (Gilbert 2005: 366–71).

THE MEANING(S) OF MONEY: THE TRANSFORMATION OF ELITE SOCIAL CAPITAL

The apparently incongruous transformation of both the Farmers' Storehouse and the Charity Fund of the Children of Peace into mutual loan associations reflects both their original purpose, as well as the radically different nature of banking, and banknotes, in that era. Paper currency of the type the Farmers' Storehouse proposed to issue differs from coinage (specie) in at least one crucial way: while both paper and specie could serve as a "medium of exchange," enabling economic transactions, they did not serve as a "store of wealth" in quite the same manner. In the terms of the period, gold and silver were commodities with a market value distinct from their nominal coined value, whereas paper was not; a paper currency must be backed by something else, its nominal value assured by its convertibility into commodities like gold with intrinsic value.[6] Polanyi thus refers to the paper currencies printed in the early nineteenth century as "fictitious commodities." He further argued that these fictitious commodities were key to the creation, for the first time, of a disembedded self-regulating "free market" (1957: 72–73). That is, paper currencies, as "commodity fetishes," served to obscure the ongoing social relationships within which the economic transactions they enabled were embedded. As seen through Bourdieu's "economies of practice," the social capital of a note's creator was the ideologic context enabling market exchange. These "fictitious commodities" took the social capital of bank shareholders and rendered it invisible, translating it into purely "economic," socially disembedded, and hence alienable wealth.

And herein lies the basic question about the banks of the period according to their critics: should banks be allowed to issue an unbacked currency, to "manufacture paper money" with no intrinsic commodity value to serve as a medium of exchange? We have now naturalized the alchemical ability of banks to create money that bears interest. Michael Taussig captured this naturalization of money as a commodity fetish in his now classic paper on the "Genesis of Capitalism amongst a South American Peasantry" (1977). Banks were, in one sense, a store of wealth; the Bank of Upper Canada started with the combined capital contributed by its shareholders. This, however, is not what they loaned out. When a bank gave a loan, it gave out a promissory note, a "banknote," promising to pay the bearer in specie (coinage) from its capital stock on demand. Promissory notes (IOUs) of all kinds, including those of merchants and their

[6] Upper Canada, like most of the Atlantic world, utilized a broad array of gold and silver coinage whose face value frequently varied considerably from the market value of the metallic component said to give the coin its intrinsic value. Since the metal was a commodity with a different value from the coin as commodity, specific territories could face sudden dramatic drops in their supply of coinage as metallic market values rose. Both the United States and Canada moved to the gold standard and a silver coinage of "token" value in 1853 to resolve this problem (Helleiner 1999: 313).

customers, were taken regularly in payment as a medium of exchange, as a kind of currency; the acceptability of a note depended upon the credit worthiness, the "respectability"—or social capital—of the issuer. As long as the respectability of the source remained unchallenged, a promissory note (like a check) could pass from hand to hand serving like money, that is, a "circulating medium" enabling economic exchanges. Banks, due to the size of their capital reserve, gained a respectability that made their promissory notes (which were not legal tender) acceptable as payment by a broad range of the public (Baskerville 1987: xxiv). The banknote was thus a fetish of the bank's respectability, its social capital, its *presumed ability* to redeem its notes in legal tender, that garnered interest for the bank as it circulated as a means of exchange.

A bank could (and the Bank of Upper Canada did) issue far more promissory notes than it actually had specie to redeem. They had to redeem all of those notes on demand at face value. The bank's notes did not, in fact, represent wealth at all. Each note was a representation of a liability—of a *promise* by the bank to pay the bearer. And herein lies the irony. The payment of interest on this debt was reversed. Interest was paid to the bank by the individual who borrowed its promissory note. Banks, by issuing large numbers of unbacked paper notes—"empty promises" according to Mackenzie—were amongst the largest of "respectable" debtors; but in issuing these notes, they created credit, expanded the monetary supply (i.e., the supply of a "circulating medium" in the absence of specie), and eased the flow of economic transactions (McCalla 1993: 148–51). The Bank of Upper Canada had an incentive to issue as many notes as possible, since it earned 6 percent interest on each note, even though each note represented its own debt, its promise to pay something it did not have. The bank would face catastrophe if all its promissory notes were presented for payment in specie at once, if a "run" were made on the bank. Indeed, this was one of the more potent weapons in the bank wars of the 1830s; competing banks would collect their competitor's notes until, having a sufficiently large number, they would present them all at once and demand payment in specie (Schrauwers 2009: 151–75). Any bank that failed to redeem its promissory notes on demand had to close until it could do so, and this closure was frequently permanent. The alchemical trick of a paper currency was for the bank to find the balance between making interest on as large a debt as possible without being caught short of enough specie to redeem those notes actually presented at its office for payment. The longer a note stayed in circulation, the smaller a specie reserve the bank needed. Since Upper Canada had little specie in circulation, notes would circulate widely, and so long as it remained a monopoly it had little fear of overextending itself.

The banknotes of the Bank of Upper Canada were a combination of the social as well as economic capital of its shareholders. As Bourdieu has emphasized, social capital provides the ideologic context for economic capital, and economic power in turn may serve to maintain social hierarchy. William Lyon Mackenzie, who contested the worth of these "paper rags," underscored the social, political, and economic ties between the bank's shareholders, a group he collectively dubbed the "Family Compact." The Family Compact was led by the Rev. John Strachan, archdeacon of the Church of England in the colony, and included the family and friends of his students who controlled the government through the appointive Executive and Legislative councils. The bank's early promoters were Strachan and William Allan, a prominent merchant, both of whom sat on both councils. They used their political power to commandeer the bank's charter, even though they were unable to raise the minimal 10 percent of the £200,000 authorized capital required for start-up. They used their political influence to have the minimum reduced by half, and encouraged the provincial administration to subscribe for 2,000 of its 8,000 shares. The government, its officers, and members of the Legislative Council owned, in all, 5,381 of its 8,000 shares (Baskerville 1987: xxv–xli). These shareholders were all protected by limited liability: despite issuing notes far exceeding their ability to pay, individual shareholders were only liable for bank debts equal to the value of their share.

In many ways, the bank was a joint stock association differing little from the friendly societies in terms of share ownership and election of officers. However, a charter granted the bank personhood before the law, and made this "person" liable for its own actions. The Bank of Upper Canada was itself, then, a commodity fetish, an apparently independent "economic actor" that served to obscure the social relationships, the social capital, of its shareholders that gave it its agency. The implications of this act of commodity fetishism were felt in its associational life. Since the chartered company had a "separate personality" from its shareholders, ownership of the concern was divorced from its management. Dr. W. W. Baldwin, the prominent reform leader, could complain, for example, that despite being a shareholder he had no idea who his co-owners were (*Appendix* 1830: 25). This basic lack of transparency in the management of the chartered company granted extraordinary power to its boards of directors, the only shareholders with privileged information about the workings of the concern. There was little sense of mutual obligation to create webs of trust and reciprocity between members, or even encourage their participation in decision-making (Schrauwers 2008).

Despite their lack of capital, these socially and politically prominent figures controlled the ideologic resources required to convert their social capital into banknotes and these banknotes, in turn, earned interest that capitalized their accumulation of further social capital through the funding of a "gentlemanly" lifestyle. The notes were seemingly alienable, and circulated widely, enabling "purely" economic exchange and hence the creation of a disembedded market. But since the bank controlled the note supply, it could serve as the "invisible hand of the market," guiding which transactions would, or would not be enabled. Henry John Boulton, the solicitor general and author of the bank incorporation bill, admitted the bank was a "terrible engine in the hands of the provincial administration." It was easy for the bank to "acquire the most entire Controul or monopoly of the Merchantile transactions of the town … and then by a sudden refusal to accommodate the same persons any farther, which they can always find plausible reasons for doing, and by requiring prompt payment of all paper outstanding, may throw the whole Business of a flourishing town into disorder" (*CA* 18 May 1826; Baskerville 1987: 32).

INDEBTEDNESS AND SOCIAL CAPITAL

> Our situation is in some respects more appalling than a Criminal imprisoned for murder [.] He is allowed a straw bed, blankets, bread and fuel, and knows the termination of his imprisonment[.] We poor wretches are imprisoned, for a debt maybe of two pounds, and from four to seven pounds cost … we have not so much as a bench to sit on, a shelf or cupboard to place a loaf of bread upon, not even a straw bed to lay on, no blanket to cover us, no fire to warm us.
>
> ————John Woolstencroft, a debtor in the Toronto Gaol (*CA* 22 Dec. 1831)

A banknote's circulation depended on trust, in a belief in the bank's respectability, its ability to convert its promise into commodities. At the economic level, respectability signified someone with a "competence," a secure source of income without the need to resort to charity (Russell 1990: 67–81). Respectability was especially important at the bottom of the credit chain. In the decade ending in 1837, the population of Upper Canada doubled, to 397,489, fed in large part by erratic spurts of displaced paupers, the "surplus population" of the British Isles. It is estimated that between 1831 and 1835 a bare minimum of one-fifth of all emigrants to the province arrived totally destitute, forwarded by their parishes (Baehre 1981: 340). These abjectly impoverished paupers were just the tip of the iceberg, and many others skated the thin line between just getting by and destitution. The line between the two was indebtedness, and hence potentially jail. All but a limited number of farmers and mechanics had significant debts, and it took little to strip them of their small "competence," their respectability and hence their freedom. For those threatened by impoverishment, friendly societies and charity played a critical, though under-examined social insurance role. While charity could serve as a form of insurance, accepting it highlighted one's lack of respectability and hence opened a door to the debtor's jail as lenders became aware of the welfare recipient's insolvency and sued while there was still property to be claimed. The working poor who accepted mutual aid, in contrast, could preserve their respectability during periods of unemployment without the "poison of the gift."

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The pauper immigrants arriving in Toronto were the redundant agricultural workers and artisans whose swelling ranks sent the cost of parish-based poor relief in England spiraling, a financial crisis that generated frenetic public debate and the overhaul of the English Poor Laws in 1834. It was in this context that the English middle classes encouraged the development of friendly societies as a self-help solution to government welfare. The scope of the problem of debt in Upper Canada was conveyed in a series of parliamentary reports. They tell us that as early as 1827 the eleven district jails in the province had a capacity of 298 cells, of which 264 were occupied, 159 by debtors. In the Home District, 379 of 943 prisoners between 1833 and 1835 were held for debt (*Appendix* 1836, No. 117). The number of debtors jailed bespeaks both widespread poverty and the relatively paltry amounts for which debtors could be indefinitely detained (Oliver 1998: 48–60).

Merchants could afford to carry the debts of farmers in good years, but in bad years such as 1835, those farmers who had been unable to reduce or resolve their debts could be sued and jailed by merchants trapped in a liquidity crisis. A parliamentary report showed that in 1830 the Home District Court in Toronto recorded 156 successful actions for an average debt of £21, and average costs of £3.19.0 (*Appendix* 1832: 65–66). An 1830 list of judgments in the Middle Division of the Court of Requests of the Home District, which heard cases below £5, recorded 127 successful actions, some for as little as 5s. 6d., and the majority below £2 (*Appendix* 1832: 60–64). The magistrates in these courts were frequently also merchants, the most prominent being William Allan, a Toronto merchant, magistrate, and executive councilor and president of the Bank of Upper Canada. Significantly, this list does not include the hundreds of cases heard before the Court of King's Bench, the province's high court. In 1834, the Bank of Upper Canada launched 278 suits in the Court of King's Bench in the Home District, and all banks combined filed 427 suits. Mackenzie estimated another 173 suits were heard in the District Court that year (*C&A* 16 July 1835).

Mackenzie himself took up the case of Henry Ausman of Markham in 1830, providing a sobering picture of how the loan of a fictitious commodity like a banknote could impoverish a farmer. Ausman was a Hanoverian German who moved to Markham in 1802 as part of William Berczy's failed "German Mills" settlement. He leased lot ten on the fourth concession of Markham, a crown reserve lot, seven years later. In 1830, his twenty-one-year lease came due, but he was in arrears on his rent. "Being anxious to take out a new lease, lest some other person would apply for his lot, and also desirous to finish a sawmill he had begun to build on the premises, he borrowed £25 from the Bank of Upper Canada" (*CA* 5 Aug. 1830). He was able to renew his lease, but unable to repay the loan at the end of the standard ninety-day term, having an outstanding balance of £21.3.0.

The bank's president, William Allan—also the manager of the Canada Company that now owned the crown reserve—instructed the bank solicitor, Henry John Boulton (who also served as the province's solicitor general, *as well as* the lawyer for Ausman), to seek redress. Boulton instituted proceedings against Ausman and his guarantor in the Court of King's Bench (although by law, only he should have been sued, and in the cheaper district court) (*CA* 27 May 1830). In the standard course of such a claim, the court would render a verdict in favor of the bank, assess court costs, and authorize the sheriff to seize property for public auction to pay the debt. Ausman and Mackenzie never contested the legitimacy of the debt, or its repayment. Rather, they focused on the escalating legal fees and Boulton's abuse of the law, to Ausman's enormous loss. Ausman's original unpaid debt was for £21; with court fees, it rose to £41. As Ausman complained, the sheriff's bailiff came and seized and

> sold a yoke of six-year-old oxen and a yoke of handsome steers, which brought in all about sixty dollars. In a week or so afterwards he sold a waggon and potash kettle, and refused to give any statement of sales or receipts thereon. He refused to levy upon the new lease though offered him for that purpose, but sold the mare from under your petitioner for $16.50. On the 2nd day of April, Underhill came to your petitioner's house in Markham and sold his other horse together with the harness and a potash kettle which had cost $90 in York, two large six-pail kettles, a yoke of four year old bulls, a three year old heifer almost ready to calve, ten sheep with the wool, and ten lambs. Of these sales he refused to give your petitioner any account or receipt, although the property sacrificed was of the value of at least one hundred pounds.

As Ausman pointed out, the interest on the £21 for a year would have amounted to little more than a pound; and as the bank's attorney H. J. Boulton had clearly stated, "by a sudden refusal to accommodate the same persons any farther, which they can always find plausible reasons for doing, and by requiring prompt payment of all paper outstanding, may throw the whole Business of a flourishing town into disorder" (*CA* 18 May 1826). As Mackenzie was to make public the next year, there was only £4 10s. of specie to back the £25 of banknotes that had been loaned (*CA* 10 Mar. 1831). Mackenzie publicized Ausman's case not because it was unusual, but rather, for its representing the normal course of affairs. The bank had loaned Ausman a fictitious commodity that it could not itself repay in specie, yet in launching its suit deprived Ausman of real property many times its worth; this was the class logic of the bank's selective ability to convert social capital into economic capital. Relatively small debts loaned for very short periods by the bank could impoverish and bankrupt a farmer who had worked twenty-one years to build up his farm. Once sued, other creditors quickly followed suit while Ausman still had property left to seize; his "respectability" or credit worthiness was challenged (*Appendix* 1831: 63). Once jailed, Ausman would be little better off than "James Colquhoun … in jail for a debt of three pounds. The creditor has forgiven the debt, but the lawyer has not thought fit to forgive his fees" (*CA* 25 Feb. 1830).

THE POISON OF THE GIFT

It is this last issue that also points to the poison of the gift, of charity. Almost all farmers were, like Ausman, in debt; yet not all were sued. In an economy regulated by the availability of credit, a customer's respectability was key. Their respectability, their presumed possession of a competence, was all that stood between them and the debtor's jail. Being sued was one indication of impending insolvency and resulted in the indebted farmer being simultaneously pressed for repayment by all his creditors. Similarly, accepting charity was also a clear indication of insolvency; it is significant that the average sum borrowed from the Charity Fund was the same as the average of lawsuits for debt in the District Court.[7] Respectability, and the refusal to accept charity, was all that stood between the indebted farmer and lawsuits, impoverishment, and indefinite imprisonment for debt.

The "poison of the gift," of charity accepted, was that it made public one's lack of economic, political, and social independence. So wary were most recipients, for example, that the elders of the Children of Peace were instructed to each secretly appoint two other men and two other women who would secret the alms dispensed by the group, "so as to spare the feelings of the necessitous," despite the sect's valorization of charity.[8] Reputation was of such importance that the Children of Peace had a standing committee to watch over "mechanic shops … to see that all our business is conducted with truth and soberness." That is, the sanction of respectability offered by group membership entailed opening one's personal business to group inspection and intervention. Their expressions of "manly independence" are thus rooted in the economy of debt and the importance of reputation to maintain that independence in the face of an oppressive legal system for debt collection (Prothero 1979: 26; Rilling 2001: 15, 17, 62–64). As such, respectability played the same role in debt repayment in Upper Canada as does *izzat*, or women's honor, in Bangladeshi culture; a threat to a women's *izzat* if she misses a repayment to her Grameen Bank loan center is the bank's principle means of maintaining its 98 percent loan repayment rate (Rahman 1999: 69–71). When a woman lost her *izzat* amongst her peers, her public humiliation could be used to force her husband to repay.

It is only by placing the economic system within its wider political and religious context that we can understand why the Children of Peace devoted so much of their efforts to constructing their ornate and expensive temple. This three-tiered structure was not intended for regular worship, but for once-

[7] The average amount sued for in the District Court is given above. The average amount borrowed from the Charity Fund was calculated from an account ledger in the Sharon Temple Museum Society Archives (Sharon Temple n.d.).

[8] Ontario Archives 1832.

monthly alms services "to sacrifice to God, feed the hungry, and clothe the naked" (Shirreff 1835: 108–14). Under continual legal and political attack by the province's elite, they justified their oppositional economic organization in religious terms. In building the temple they demonstrated to their neighbors that they were God's chosen people, and that their alternative values had sacred legitimacy. Giving to the poor was not a simple economic act to be regulated by poor laws, but rather a moral requirement mandated by God. As Wallace notes, "What, in capitalist terms, appears to be the reckless, even self-destructive waste of resources is, in a gift society a symbolic act, one that obligates recipient to giver, and one that binds members of a community together" (2000: 55). Gift giving, in this view, creates social capital, a "durable network of more or less institutionalized relationships … which entitles them to credit, in the various senses of the word" (Bourdieu in Smart 1993: 392).

Many historians have contextualized the development of the Children of Peace in terms of their religious roots in the Society of Friends (Quakers) (Dorland 1968: 104–11; Schrauwers 1993; McIntyre 1994). None, however, has dealt with the influence of "friendly societies." Friendly societies were democratically organized community self-help insurance organizations designed to alleviate tragedies arising from accident, sickness, and old age (Hopkins 1995: 9–26). They provided an income in the case of strike, injury, "lying in," or economic downturn, as well as a respectable funeral. They supported the widows and orphans of members. They were organized on the basis of locality, trade, or religion. Friendly societies in the United Kingdom originally embodied the eighteenth-century "moral economy" ideal that provided "subsistence insurance" to community members in need, including outright charity (Weinbren 2006: 327). Only later, under government regulation, were they transformed into actuarially sound mutual insurance companies. Given this transformation, it is important to stress the diverse forms assumed by the early friendly and fraternal societies in their early efforts to provide social welfare to their members. Although due to their welfare functions they are often viewed as having been nascent mutual insurance agencies, less attention has been paid to their other business activities such as co-operative stores and mutual credit associations (Bamfield 1998; Schrauwers 2009). Their association with specific trades also made them useful vehicles for otherwise illegal trade union organization (Weinbren 2006: 320).

The friendly societies' diverse economic, social, and political activities were shrouded in a ritual tradition borrowed from earlier fraternal and guild organizations, including Freemasonry (Weinbren and James 2005: 87). That tradition ideologically emphasized charity and the selfless gift as manifested in the parable of the Good Samaritan (Weinbren 2006: 326–31), and similarly the Children of Peace cited Christ's injunction to feed the hungry, clothe the naked, and tend to the sick (Shirreff 1835: 108–14). The once-monthly Saturday procession of the Children of Peace behind a band and banner from church

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to the temple for their alms collection concluded with the public count of the money collected, and differed little from British example except in ritual scale. The British societies, although initially highly localized institutions, shared a common ritual culture that emphasized "an oath, secret signs and knowledge, exclusive regalia marking office and achievement, members' contributions kept in a 'common box', and a sense of exclusiveness based on a line drawn between 'insiders' and 'outsiders'" (Weinbren and James 2005: 88); mutual aid within the society was as frequently supplemented with charity outside.

The emphasis on charity and the provisioning of subsistence insurance are evidence that the eighteenth-century friendly society was, in the nineteenth-century sociologist Tönnies' term, a *Gemeinschaft*, a localized community marked by a mutualistic "gift economy." Rituals like the temple ceremony were critical elements of community building: "Viewing friendly societies as gift societies in which gifts, some of which were tangible commodities, moved in circles, generating and maintaining communities, strengthening obligations and relationships, highlights the importance of reputation, trust and the culture of reciprocity in members' dealings both with one another and with their patrons" (Weinbren 2006: 321). In other words, examples from both England and Italy have been used to argue that "friendly societies benefited society not simply as insurers, but as associations. They fostered social capital by encouraging solidarity between members, they promoted civic engagement and acted as nurseries of democracy, and they cultivated an attitude to social welfare founded on independence and self-help" and hence a strong "civil society" (Gorsky 1998: 304).[9] This has made them a model for numerous micro-credit development initiatives in the third world, and the Grameen Bank in particular (Dowla 2006; Putnam 2002; Lin 2001).

The Charity Fund, like the Bank of Upper Canada, was a means by which social capital could be converted into economic capital, and vice versa. Although many question Bourdieu's extension of the "capital" metaphor into the social sphere of obligation and the gift, it is important to note that the temple ceremonies specifically collected *money* for charity, and hence were a ritually ornate means of socializing commodity exchange (see also Carsten 1989). The Charity Fund was a means by which this socialized money—potential gifts by which a "durable network of more or less institutionalized relationships" could be created—could also be converted back into economic capital. Money from the same fund could serve as both gift (solidifying social capital) and means of market exchange; what differentiated the two was the payment of interest. The payment of interest allowed the beneficiary to maintain his

[9] For a fuller account of this process in Upper Canada, see Albert Schrauwers, *"Union Is Strength": W. L. Mackenzie, the Children of Peace, and the Emergence of Joint Stock Democracy in Upper Canada* (Toronto: University of Toronto Press, 2009).

respectability, to assert his credit worthiness while avoiding the poison of the gift. It simultaneously allowed the growth of the Charity Fund, providing a larger pool of economic capital that could be translated into social capital, to reinforce the dense network of mutual obligation that tied the community together.

The difference between the Bank of Upper Canada and the Charity Fund was that the shareholders of the bank were initially able to transform their social capital into a fictitious commodity, a banknote, and the Children of Peace could not. That changed in 1833, when the Farmers' Storehouse, under the leadership of Samuel Hughes, an elder of the Children of Peace, announced that the company would also begin issuing notes (Schrauwers 2009: 117). The Farmers' Storehouse was organized as an unincorporated joint stock company on 7 February 1824 to engage in trade on behalf of farmers; it was an early co-operative. In many ways it was similar to a large number of consumer-owned community flour and bread societies that flourished in England from 1759 to the 1860s. The English "bread societies" that developed during the Napoleonic Wars were largely extensions of existing friendly societies (Tann 1980: 46–47). The Farmer's Storehouse had always allowed its members to borrow small sums or merchandise equal to their share holding. In 1833 (shortly after the Children of Peace decided to issue loans from their Charity Fund), they proposed to loan notes instead. Shareholders of the company were thus able to borrow against their social rather than economic capital in the company, against the trust of their fellow members. By loaning notes, they did not reduce the capital required for their co-operative marketing and store. The company would issue a promissory note that translated the individual debt of the borrower into collective debt in a process like that practiced by micro-credit institutions such as the Grameen Bank. In the Grameen Bank, a borrower's collateral is the "joint liability" for the loan assumed by their neighbors in their "loan center" (Rahman 1999: 71). The payment of interest strengthened the Farmers' Storehouse company, while the joint liability could be converted in a promissory note and alienated in the market; in circulating, the note would enable a whole series of other market transactions. By converting individual debt into company debt, the note was able to convert the social capital of the shareholders into economic capital.

This conversion of individual debt into a banknote floundered, however, on the legal status of the company. The unincorporated joint stock form was technically illegal in England until the friendly societies were legislatively tolerated in the Rose Act of 1793. As unincorporated joint stock companies they were unable to own assets, or to be sued at law. The Farmers' Storehouse had repeatedly sought incorporation (without limited liability) throughout the 1830s, but was stymied by the Legislative Council, which was dominated by members of the Family Compact who were directors and shareholders in the Bank of Upper

Canada. Company debts were thus the obligation of its shareholders, who had assumed unlimited liability for all company actions; an individual shareholder could be sued for the company's unpaid debts, and lose all. In this aspect, it is unlike the Grameen Bank, which is protected with limited liability in a way its borrowers are not.

The banknotes of the Farmers' Storehouse could not, therefore, be "backed" in the same way as the notes of the Bank of Upper Canada, and they thus created an "alternative currency" much like those documented by Bill Maurer (2005). Maurer's analysis of Islamic banking and the labor-backed "Ithaca HOURS" notes points to the way in which they seek to "restage" monetary forms, providing an alternate "alchemical" means of transforming faith into gold (2005: 115–21). The manner in which the Farmers' Storehouse converted social into economic capital can be seen in a variety of other, similar companies formed at the time. Despite its legal difficulties, the Farmers' Storehouse was being emulated widely in the province by 1836 (Schrauwers 2009: 119–21). The "Newcastle District Accommodation Company" was proposed in March of 1835 by a "private in the Northumberland Militia." Sister institutions on the same principle—the Newcastle District Loan Company in Peterborough, and the "Bath Freeholders' Bank" in Bath and Kingston—were formed at about the same time (*Cobourg Star* 23 Mar. 1836; 4 May 1836; 18 May 1836; 22 Feb. 1837). The Newcastle District Accommodation Company was the brainchild of the ironically named William Bancks, founder of the community of Bewdley Mills at the west end of Rice Lake, north of Cobourg (*Patriot* 26 Jan. 1836). Bancks was a currency reformer who opposed the gold standard, advocating instead for an expansion in the use of paper currency to encourage investment and allow higher wages (Bancks 1836).

Bancks' plan for an "Accommodation" (loan) company was first proposed on 7 April 1835, after five hundred residents of the Newcastle District agreed publicly to accept its novel banknotes (*Patriot* 7 Apr. 1835). Although the bank was to have 250 shareholders, each holding a single share worth £2, its banknotes were not based on this small capital reserve. The notes they planned to issue were similar to the "bons" given by merchants in payment to their customers. These "IOUs" functioned as a local medium of exchange but could not be converted to cash until their due date, usually in October, unless a steep 12 percent discount was charged on its face value. Bancks thus proposed a note based on "time" rather than specie. The credibility of these notes would depend upon their security. Bancks proposed that notes he issued would be secured by land (to half its value) or any staple produce (to two-thirds its value at Montreal) deposited in the company's storehouse. This allowed farmers to convert their capital assets into a circulating medium (i.e., a "banknote") for an unlimited time, as long as interest payments continued to be paid, and the deed to the property remained with the company as security. Since the borrowers would be paying interest (largely in the notes of other banks), the

Accommodation Company would quickly acquire a specie reserve large enough to pay for the occasional redeemed note. The plan had apparently received the blessings of five hundred freeholders in the Newcastle District, who agreed to take its notes as a local currency. By 1 March 1836, the bank was set to open, with 187 shareholders (*Patriot* 12 June 1835; 26 Jan. 1836; 9 Feb. 1836; 1 Mar. 1836; 5 Apr. 1836; 12 Apr. 1836; *Cobourg Star* 24 Feb. 1836; 6 Apr. 1836).

SOCIAL CAPITAL, MICRO-FINANCE, AND DEMOCRACY

It is now possible to contrast the two differing ways in which social capital was converted into a banknote in Upper Canada. In an economy marked by punitive laws for jailing debtors, the key difference between the two forms of bank was limited liability. The shareholders of the Bank of Upper Canada constituted the province's political, economic, and religious elite, the Family Compact. They controlled the Legislative and Executive Councils, and the administration of law. They utilized their political power to obtain a bank charter that granted the bank separate personality, and themselves limited liability; important given the bank's weak capital reserves. They issued banknotes that were "fictitious commodities," a marker of the bank's circulating debt in which they fetishized their social capital. As a commodity fetish, it was alienable, and thus capable of enabling purely economic transactions. An analysis of the process by which their social capital was translated into economic capital, and back, amply demonstrates the role of social capital in establishing the ideological dimensions of economic practice, and the creation of a "free" market seemingly severed from political influence. The cost of limited liability, however, was that it reduced the obligation of the shareholder either to the bank or to his fellow shareholders, and thus impeded its associational life. A "free" market breeds alienation.

The friendly societies, in contrast, lacked limited liability, or separate personality; their shareholders were collectively responsible for the company's debts, including all the individual members' debts that the company assumed by loaning banknotes. The friendly society's banknotes were thus not an alienated commodity fetish; the note was clearly an expression of the social capital of its members, of their mutual obligation one to another. In issuing notes, the members became responsible not only for the company's debts, but also for that of the member who borrowed that note. The note, like those of the Bank of Upper Canada, was alienable, and hence would circulate throughout the economy, but if the member was unable to repay, the company's shareholders still remained responsible for ultimately redeeming the note once it was cashed in. To keep those notes in circulation, the friendly societies thus had to demonstrate that their notes were creditable, that they were backed by sufficient collateral without the need for recourse to the courts. They thus allowed their members to borrow only against the produce, or deed, they deposited in the company storehouse. This implicated the farmer still deeper in the company's workings, and its ultimate success, as the co-operative marketer of their wheat. It is this web of mutual obligation and aid that historians of England and Italy have seen as a vigorous tradition of "civic community." This tradition fostered democratic participation, both within the association and in the broader society.[10]

The implications of these differing mechanisms for converting social into economic capital for political action should thus be clear. While "social capital" has divergent conceptual roots, the impetus for the current debate lies largely in the work of political scientist Robert Putnam. Putnam's study of local government democratic reforms in post-war Italy contrasted the north's vigorous tradition of "civic community," understood as its historic "vibrancy of associational life," with the south's lack of participatory governance (1993: 91). The north's tradition of mutual aid clubs, in particular, was said to foster trust and reciprocity between members, and encourage a culture of participation in political processes: "Social trust in complex modern settings can arise from two related sources—norms of reciprocity and networks of civic engagement" (ibid. 171). Drawing on an older anthropological literature on generalized reciprocity that includes such luminaries as Geertz (1962), Ardener (1964), and Sahlins (1972), he attempted to resolve those "dilemmas of collective action [that] hamper attempts to cooperate for mutual benefit," such as defection (the "prisoner's dilemma"), and the inadequacy of third-party enforcement to deal with this predicament except through coercion, exploitation, and dependence (Putnam 1993: 177). It is Putnam's conception of "social capital" that has been adopted by the World Bank and a host of micro-finance institutions that it funds. There are, however, alternate conceptions of "social capital" than that which animates the World Bank, such as Bourdieu's, that provide an alternate path to "bringing the state back in" to the frame of analysis (cf. Szreter 2002).

Critics of the "new institutionalism" and its definition of social capital have focused on its anemic definition of the social. By focusing on the poor as agents of their own survival, the new institutionalists ignore how the social inequalities that impoverish the poor are structurally produced through neo-liberal economic policies and "good governance." As a result, Ben Fine has argued,

[10] Friendly societies, in other words, fostered "deliberative democracy," the formation of a discursive community in which information is exchanged and decision-making follows public deliberation. This model of democratic association originates in the work of Jürgen Habermas, and is explored in the Upper Canadian context by Jeffrey McNairn (2000). McNairn contrasts deliberative democracy with "economic models" (8) in which "individuals are consumers who form a market, compete and bargain with each other, and 'purchase' personnel and policies from political parties to optimize their aggregate interests." I have argued elsewhere (2009) that alternate "economic models" of deliberative democracy were formed in mutual credit and co-operative friendly societies, and I coined the phrase "joint stock democracy" to differentiate it from these early liberal economic theories.

their idea of "social" capital has perpetuated the false separation of the social from the economic, despite their theoretical claims to encompass social factors in their economic analysis (2001). Their model extends economism into the social sphere without seeing the reverse—the ways that economic capital itself is social—and thus obscures the exploitative class relations that constitute economic capital. By ignoring the larger political structures that create and perpetuate social and economic inequalities, the new institutionalists also impoverish the scope of democratic action. That is, rather than fostering democracy, World Bank micro-credit projects need to be analyzed as "anti-politics machines," in James Ferguson's classic phrasing (1994). These projects seek to develop social capital through participation in mutual aid organizations that are themselves "targeted" at the poor. They operate through non-governmental organizations (without questioning the inclusivity of the poor in the organization of the NGO), rather than through politically accountable governments. They seek to manipulate social capital to strengthen a civil society without encouraging political debate on either the gutting of the welfare state or the political accountability of NGOs to their "targets." Harriss expresses the "concern that the 'local associations' and NGOs, which are brought into so sharp focus by this interpretation, are not necessarily democratically representative organizations, nor democratically accountable, and might be attractive because they appear to offer the possibility of a kind of democracy through 'popular participation,' but without the inconveniences of contestational politics and the conflicts of values and ideas which are a necessary part of democratic politics" (2002: 8).

Despite these critiques, the history of the friendly societies in Upper Canada would seem to bear out the positive correlation noted by Putnam between social capital and political democracy. It was, for example, David Willson, the leader of the Children of Peace, who first proposed in 1833 that the loose association of democratic reformers around Toronto hold the province's first political convention at which to nominate candidates, and formulate a consistent platform to which these candidates would be held accountable (Schrauwers 2009: 125–50). The Children of Peace were the first to nominate delegates to the convention, including their church elder, Samuel Hughes, president of the Farmers' Storehouse. Hughes went on to propose a constitution for the formation of a political party at the convention. And although this proposal was rejected, the Children of Peace were instrumental in the creation shortly thereafter of the Canadian Alliance Society, a democratically organized political lobby group. They immediately formed a branch of the Canadian Alliance Society in January 1835, and elected Samuel Hughes its president (*C&A* 2 Feb. 1835). Their first proposal was to create a petitioning campaign for a written provincial constitution. A constitution would be the means by which "the proceedings of our government may be bounded—the legislative council rendered elective, and the government and council made responsible" (*C&A* 15 May 1835). Both the Children of Peace and the Canadian Alliance Society shared the same building in Toronto, "Shepard's Hall," named after Joseph Shepard, a previous president of the Farmers' Storehouse (Schrauwers 2009). The Canadian Alliance Society and its successor were to play a key role in the planning and implementation of the failed 1837 Rebellion led by William Lyon Mackenzie.

REBELLION OR BANK WAR?

It should be clear from this comparison that while both groups were able to convert social capital into economic capital, the Family Compact commanded far more power and were able to set the restrictive terms under which their rivals operated. Through their command of the state apparatus they were able to harass and eliminate their competition. This became clear in the Bank Wars of 1835–1837, as the elites operating the Bank of Upper Canada sought to preserve their privileged position from radical upstarts in the face of a general collapse in the international currency system and a widespread trans-Atlantic depression. It is important to contextualize the Rebellion of 1837 in terms of this longer bank war, of which it was little but the concluding episode. The struggle for democratic reform in the province was rooted in a concurrent struggle for economic justice that is frequently disregarded (McCalla 1993: 187–93). An examination of the Rebellion demonstrates how the contestational political process between opposing class interests with unequal resources may produce a financial and political oligarchy, not democracy.

On 10 July 1832, President—General—Andrew Jackson fired the opening salvo in the American "Bank War" against the Second Bank of the United States by vetoing the bill for its re-charter. The Bank of the United States was a private, federally chartered bank serving as the government's bank of deposit; the American government named a fifth of the directors. Jackson's complaints against the bank mirrored those of Mackenzie against the Bank of Upper Canada: the bank was a "political engine" utilized by a "moneyed aristocracy" to oppress the common man. In an effort to curb their power, and their attacks on his political party, Jackson took the radical step of removing the government's reserves, and refusing to sign the bill for its re-charter. Jackson ultimately won his war, and the Bank of the United States was dismantled, but in so doing it caused an enormous economic contraction—a "bank revulsion"—that plunged the Anglo-American world into a severe depression beginning in 1835 (Schlesinger 1949: 115–31; Kaplan 1999: 121–39; Wilson 1995). Ironically, by attacking the Second Bank of the United States, Jackson worsened the debt crisis of common farmers caught up in the international contraction in credit that resulted.

In the United States, Jackson was in a position to dismantle a banking system that provided the economic might of the "moneyed aristocracy." In Upper Canada, the reformers were considerably weaker, and all attempts to dismantle the Bank of Upper Canada had failed. It is in this light that we need to interpret the transformation of the Farmers' Storehouse into a joint stock bank. Indeed, as Mackenzie made quite clear, the "curse" of banking extended only as far as the chartered banks; joint stock banks lacked the special monopolistic privileges such as limited liability that made the chartered banks such a danger. In July of 1835, as the reformers of the Canadian Alliance Society were organizing the joint stock Bank of the People, Mackenzie was to boast: "Archdeacon Strachan's bank (the old one) … serve the double purpose of keeping the merchants in chains of debt and bonds to the bank manager, and the Farmer's acres under the harrow of the storekeeper. You will be shewn how to break this degraded yoke of mortgages, ejectments, judgments and bonds. Money bound you—money shall loose you" (*C&A* 30 July 1835). Their only hope was to compete with the Bank of Upper Canada through joint stock alternatives like the Farmers Storehouse Bank, or the Bank of the People, formed in 1835. Democratically organized joint stock banks would fund the fight for democratic reform, as when the Bank of the People, of which the Children of Peace were shareholders, provided Mackenzie the loan to found a new newspaper, *The Constitution*. And in turn, the elected representative Mackenzie used his newspaper pulpit to support the joint stock banks:

> The people of this country, degraded by the tory misrule of nearly half a century, are cursed with a Banking system which heaps up wealth in the hands of a few while the many are getting into greater difficulties, begin to ask one another whether they too cannot have banks? Banks for the direct and indirect profit and advantage of the community, instead of the alternative of paying for the filthy rags of the very meanest men in the country. I am decidedly of opinion that they can have such Banks, and that as we must have paper, whether we will or not, that we may as well have the paper of the people's Banks as that of the aristocracy, and I intend to use every energy I possess in getting such Banks established forthwith.… I think we can match them with paper, and beat them too (C&A 6 Aug. 1835).

However, the Family Compact-dominated Legislative Council had refused to incorporate any joint stock bank, including the Farmers' Storehouse, arising from the reform-dominated House of Assembly in early 1836. In the Family Compact-dominated House a few months later, no less than eleven new banks were proposed and approved (Schrauwers 2009: 160–68). All of these new banks sought limited liability and charters. Since the Colonial Office ultimately reserved these bank bills, there has been little investigation of their promoters and their significance has been discounted, and indeed in many cases information is sparse. What is significant is that the "gentlemanly capitalists" of Upper Canada consistently sought to utilize their control of the Legislative Council to create chartered corporations that used others' resources under their own control, and to their own profit, while shielding their speculative note issues with limited liability but denying it to their debtors. Thomas Dalton, editor of the Tory *Patriot*, had eulogized the concept of a reformed Bank of Upper Canada (renamed the "Provincial Bank") in a series of articles entitled

“Money is Power.” But even he was forced to conclude: “It would be decidedly more prudent to augment the Capital of the two present Banks, than to create one huge monster of fraud and corruption, one frightful engine of remorseless persecution such as this Bill would engender” (*Patriot* 24 Feb. 1835). The reform press could hardly have been harsher in its evaluation.

The collapse of the new paper currency regime in the United States led to a depression spanning the Atlantic world and intensified the destitution resulting from a poor harvest. An economic malaise paralyzed trade; by early November 1836, Mackenzie was lamenting, “The appearance of scarcity already presents itself. Many families are debtors for their farms, others are owing money borrowed to pay for their Farms, others indebted to the Merchant, others far from Market, and many are prosecuted and harassed by the small Courts and the large Courts. We have sold at once a thousand summonses to one Court of Requests—six hundred to another—and so on” (*Constitution* 2 Nov. 1836). The Tories passed an amendment to the Court of Requests Bill that allowed “any proud, vindictive or harsh creditor in Toronto, to bring his debtor, or any person he may choose to say he has a claim upon, for eighteen pence, from Caledon, Georgina, Brock, Whitchurch, or any distant township in this district, in the middle of harvest, to answer at the Request Court in this city” (*Constitution* 22 Mar. 1837; *Patriot* 22 Nov. 1836). Anyone who failed to respond to the summons would summarily forfeit, like Ausman, and would be subject to the claim and court costs. Two hundred lawsuits were launched by the banks in the Home District alone in that fall’s assizes of the Court of King’s Bench (*C&A* 19 Oct. 1836).

The Bank of Upper Canada, in particular, was seriously overextended, having expanded its note issue by 27 percent between January 1835 and February 1836. Although this made for record-breaking profits in 1836, the sudden contraction of its note issue by 60 percent after June of 1837 caused widespread deprivation and discontent (Baskerville 1987: lxxiv–ix). The Bank of Upper Canada, itself near collapse in early 1837, successfully pushed for the suspension of its obligation to redeem its notes in specie in June, yet no such protection was granted to the banks’ debtors, who continued to be sued in record numbers. It was in this context that the Legislative Council initiated an “Act to protect the Public against injury from Private Banks,” by which it made all joint stock loan associations like the Farmer’s Storehouse Bank illegal, thereby ending their ability to issue banknotes and provide credit.[11]

Drawing on the organizational network and democratic experience of the Canadian Alliance Society, William Lyon Mackenzie shortly thereafter issued a call for a “convention of the people of the two provinces” (*Constitution*

[11] Chap. XIII, 7th William IV 1837, An Act to Protect the Public against Injury from Private Banks, *Journal of the House of Assembly of Upper Canada, from the Eighth Day of November, 1836, to the Fourth Day of March, 1837* (Toronto: R. Stanton, 1837), 349.

24 May 1837). He explicitly linked the need for the convention with the economic disaster facing farmers and the abuses of the "paper dollar lords." Mackenzie reassured the farmers, "You would be richer and happier, more wealthy and more contented and prosperous, were these vile Banking Associations swept from among you. They encourage and promote litigation, tax labour, cheat and defraud you out of the fruit of your industry, and are the infamous means of preventing your government from confining itself to its appropriate functions" (*Constitution* 24 May 1837). It was not, however, until after the death of King William IV on the 20th of June that Mackenzie proceeded to organize this convention, now clearly a "constitutional convention." Establishing such an extra-parliamentary association for the purpose of "channeling discontent, disseminating propaganda, petitioning parliament, and, as a last resort, organizing a revolution" had a long history in Britain stretching back to the 1770s radicals Obadiah Hulme, James Burgh, and Major John Cartwright (Parssinen 1973).

The first of these meetings to select delegates to the constitutional convention were held at Doel's Brewery in Toronto on the 28th and 31st of July. The reformers struck a committee to prepare a "Declaration of the Reformers of the City of Toronto to their Fellow Reformers in Upper Canada," which called for the implementation of Mackenzie's plan (*Constitution* 2 Aug. 1837). The second meeting of the renewed Political Union was called to order by Samuel Hughes three days later, on the 3rd of August in Newmarket. Hughes had long fought for a written constitution. Mackenzie regaled the crowd for more than an hour, reviewing the complaints listed in the Declaration of the Toronto Reformers. Samuel Hughes proposed a motion which castigated "the conduct of [Lt. Governor] Sir Francis Bond Head … for he has tampered with our rights at elections—disposed of many thousands of pounds of our revenue without our consent—and governed us by the strong hand of arbitrary and unconstitutional power—depreciating our currency, and pretending to maintain cash payments, while the Bank, immediately connected with his government, was flooding the colony with the notes of a Bankrupt Bank in another province" (*Constitution* 9 Aug. 1837). The meeting appointed Hughes a delegate to the constitutional convention.

Mackenzie published a draft constitution for the consideration of the delegates in Nov. 1837 (*Constitution* 15 Nov. 1837). This constitution's objectives closely resembled those spelled out in the constitution of the Canadian Alliance Society in 1834 (*C&A* 18 Dec. 1834); it called for election of a governor, legislative council (senate), House of Assembly, and magistracy, all by secret ballot. It was egalitarian, prohibiting both slavery and the granting of "hereditary emoluments, privileges, or honors." It also called for a separation of church and state, and barred the clergy from seeking election or serving in any civil or military office. It guaranteed the rights to personal property, freedom of the press, and freedom of assembly. But tied to these rights to personal property and egalitarian democracy were severe restrictions on chartering corporations. Starting from the premise, "Labour is the only means of creating wealth," it placed a constitutional prohibition on chartering either banks or trading companies. In other words, without contesting the right to the accumulation of personal property, it combined radical democracy with radical economic egalitarianism. Yet it placed no blocks on unincorporated joint stock companies with unlimited liability.

The convention to consider this draft constitution never met. The disorganized rebellion in early December 1837 was easily crushed and democracy was delayed. In the aftermath of the Rebellion, much of what the Children of Peace had crafted over a quarter century came apart at the seams. What convened on 28 December 1837 was not the Constitutional Convention they helped plan, but rather the "illegitimate" Assembly. It passed a law in early January that authorized the continued detention of all who had been accused of treason, and suspended the rights of habeas corpus for thirty days for all arrested thereafter (*Upper Canada Gazette* 18 Jan. 1838). Mackenzie fled. Samuel Hughes would soon quit the Children of Peace. The Farmers' Storehouse, the Bank of the People, and the Toronto Political Union all ended ignobly. The virtual elimination of these reform-dominated institutions marks the post-rebellion period as an era of transition. The collapse of the rebellion seemingly spelled the end of the radical agrarian constitutional vision shared by these joint stock democrats.

"MAKING DEMOCRACY WORK"

In Polanyi's narrative of the capitalist "Great Transformation" (1957), the moral economy of the early-nineteenth-century English countryside was increasingly eroded by the creation of the fictitious commodities of land, labor, and money. A disembedded economy of alienable commodities was forcibly extracted from a series of exchanges rooted in relations of generalized reciprocity. In Polanyi's view, extracting a market economy out of the social ties that had limited the destructive effects of individual self-interest unleashed a social revolution with disastrous effects, as illustrated by the rapacious behavior of the Bank of Upper Canada. The transformation of the Charity Fund of the Children of Peace into a bank, in this light, must be viewed as a dilution of social capital, as mutual trust and reciprocity are replaced with calculation and alienated transactions. The Children of Peace appear to have rejected the amity of community for faceless market exchange. However, as Bill Maurer asserts in his summation of the anthropological literature on money, "Although anthropology has contributed finely grained, historicized accounts of the impact of modern money, it too often repeats the same story of the "great transformation" from socially embedded to disembedded and abstracted economic forms" (2006: 15).

Putnam attempted to stand Polanyi's argument on its head—to view the transition to capitalism as a conversion of social into economic capital, rather than its diminution. He highlighted the role of social capital in building a strong association life, prosperity, and hence democracy, a model that seemingly fits well with the political history of the Children of Peace. They, like other economic reformers in Upper Canada, drew on joint stock forms as organizational models for their democratic political associations. The "unlimited liability" they individually assumed on behalf of these collective organizations was conditional on mechanisms of democratic accountability and stakeholder participation. However, Bourdieu's analytic framework for social capital rejects the naïve anthropological conceptions of generalized reciprocity underlying Putnam's model, and directs our attention to the class dimensions of this conversion process. Like Putnam, Bourdieu rejects Polanyi's conception of a "disembedded market economy," but contra Putnam, he highlights the social nature of *economic* capital by underscoring the role of social capital as the ideologic dimension of economic practice. In other words, Bourdieu's conception of social capital allows us to focus on the conversion of social capital as alienable economic capital—money.

Other critics of Putnam have pointed out, as I have here, that there is no clear correlation between social capital and democracy; the shareholders of the Bank of Upper Canada had a greater pool of social capital, yet little interest in fostering a democratic government that might weaken their ability to define the nature of money. These critics have resolved the apparent contradiction by multiplying the kinds of social capital, contrasting "bonding" social capital, which bonds like with like within an association, with "bridging" social capital, which encompasses groups with greater heterogeneity and more clearly correlates with democratic development (Deth 2008: 201; Szreter 2002: 574). It is not clear, however, that the groups who composed the Farmers' Storehouse were any more heterogeneous than the shareholders of the Bank of Upper Canada. By placing the emphasis on types of social capital, these critics draw attention away from the social aspects of economic capital and the way in which its creation embodies an exploitative, class logic. In this article, I have placed the emphasis on the different ways in which social capital was fetishized as a "fictitious commodity," a banknote. Unlike specie, paper currency was not a store of wealth, but a fetish of debt transformed into a means of exchange. Only the shareholders of the Bank of Upper Canada were legally entitled to fetishize their respectability—their social capital—as an alienable commodity that generated interest, and they could do so because they were granted limited liability. As Thomas Dalton, the editor of the *Patriot* newspaper eulogized, "money is power." The Bank of Upper Canada was a "political engine" by its own designers' admissions, the very "visible" hand of the market that controlled the monetary supply and hence the economy.

The strategy of the Bank of Upper Canada was clearly to limit access to alternative currencies and so to ensure the broad circulation of its interest-bearing notes with little risk of their being redeemed for specie. It is on this account that conflicts arose between the Family Compact and its political rivals who sought to establish their own currencies on an alternate basis. Although it was a non-governmental organization, the Bank of Upper Canada could count on the support of the executive, legislative, and judicial branches of the state in establishing its hegemony over the money supply. It is on this basis, then, that we can compare it with other micro-credit institutions such as the Grameen Bank described by Karim as a "shadow state" (2008: 8). Throughout this article, I have compared the means by which the Grameen Bank offers loans and fosters social capital with the Farmers' Storehouse. I now contrast the two specifically on the issue of the nature of those loans, and whether they constitute an alternative currency, a true conversion of social into economic capital rather than the exploitation of social capital by the possessors of economic capital.

According to its advocates, the Grameen Bank (like similar micro-credit institutions) allows the poor to translate their social capital into economic capital. There is, however, an un-remarked upon power differential in this conversion process, in that the poor lose control of their social capital in order to acquire the bank's money, for which they pay up to 60 percent interest. Control of the money supply lies entirely with the bank, just as it did with the Bank of Upper Canada. Control of the money supply is the basis upon which the bank can serve as the "visible hand of the market," the shadow state. These micro-credit institutions utilize the social capital of the poor as an effective means of debt collection in the economic sphere, as a disciplinary tool for bank managers. As a manager of the Grameen Bank pointedly remarked, "Why are you surprised? Grameen Bank is a business and not a charity" (Karim 2008: 20). This power differential works at multiple levels. Not only are the individual borrowers drawn into a market economy in which they enter at a distinct disadvantage, they must do so on the terms set by neoliberal funding agencies such as the World Bank that place priority on loan repayment (and hence "bank sustainability") over the development of social capital (Brigg 2001; Rankin 2001; Shakya and Rankin 2008). Weak third-world countries today, like nineteenth-century Upper Canada, lack a notion of citizenship as a set of entitlements guaranteed by the state. Social programs that were formerly the domain of the state are usurped by funders and provided through NGOs that, like the Bank of Upper Canada or the Grameen Bank, seek to promote individual entrepreneurship rather than create a functional welfare system. The inability to guarantee welfare becomes an individual failing, rather than that of the NGO, the state, or the World Bank.

This individualization of welfare points to the importance of "limited liability" for micro-credit NGOs, their World Bank backers, and their resultant lack of democratic accountability. What clearly distinguished the early mutual credit associations from the Bank of Upper Canada was limited liability—it allowed the Bank of Upper Canada, like the Grameen Bank, to act as a shadow state utilizing debt as a means of social control. Only the shareholders of the Farmers' Storehouse lacked limited liability. They were accountable for the notes they issued with their own property; they were stakeholders in each other's prosperity, as well as debts. As one observer in the period noted of the Children of Peace: "As to personal property, each individual is distinct … [but] they are aware that although each distinct member depends upon himself, yet, if the whole body be not prosperous, it must operate in some degree inimical to the interest of all" (Henry 1832: 124–25). By 1851, theirs was the most prosperous rural community in Ontario. This mutual obligation, as Putnam correctly asserts, fostered a democratic sensibility in collective effort, a contestational conception of democracy missing from NGO top-down efforts to purposefully foster social capital. As the Bank Wars of the 1830s highlight, the conversion of social into economic capital is fraught with political difficulties that the "anti-politics machine" of the economic shadow state seeks to systematically suppress.

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