The great decline in transportation costs, the increase in the prices of cereals, and a relative cheapening of the factors which entered the costs of production, i.e. manufactured goods and imports in general, suddenly brought the virgin resources of the prairies within the scope of the international market and within the range of profitable exploitation. Capital and capital goods, the essential means for making exploitation possible, were cheaper than ever before. The prices of iron and steel, which largely determined the cost of railways and of the implements of production, were falling steadily in relation to the value of products of the farm. Interest rates were the lowest in recorded history, and the British investor was willing to lend overseas in unprecedented volume.

● (1600)

There was another set of circumstances in western Canada which made it available almost as soon as its attraction was felt, that is, the comparative uniformity of conditions, concentration on a single crop, and the ease with which transportation facilities could be provided and cultivation begun in a grassland terrain. There were no classifications of resources, no soil surveys, no climatic records to guide either the government or the unwary settler. The policies and methods of the Dominion were mainly designed to serve the national purpose of filling the northwest at once with as many people as possible.

The selection of land was left largely to chance and to the devices which colonization agents, railways, and land companies employed in their own immediate interests. The sectional survey, railway land grant schemes and pre-emptions illustrate a system designed for indiscriminate mass colonization. It worked with almost mechanical perfection.

Between 1896 and 1913 one million people moved into the three prairie provinces and the population increased from 7 per cent to 20 per cent of the total Dominion of Canada. The area of occupied land increased from about 10 million acres to 70 million acres, and the production of wheat from approximately 20 million bushels to over 200 million bushels. At the end of the period the value of agricultural production in western Canada reached a total of between $300 million to $400 million annually.

Looking back at the broad concept of Canadian transportation and the policy of national development, it was the unbounded optimism which led to the birth of the railway problem. The development of the northwest within so short a time brought prosperity and rapid economic expansion to the rest of Canada.

The settlement of the west took place within the framework of the national policies of all Canadian transportation and protective tariffs. The application of these policies directed the growing demands for capital equipment, for manufactured goods, for distributive and commercial services in the Canadian channels, thus bringing expansion in other parts of the Dominion. Construction of the railways, deepening of the canals and improvement of the harbours necessary to transport the increasing volume of western grain over Canadian routes stimulated economic activity in the east and gave it a large share in the moving of western products to the markets of the world. The building of towns and cities on the prairies, equipment required on the farms, and the consumption demands of the population required enlarged quantities of manufactured goods. The protective tariff enabled Canadian manufacturers to capture the greater share of the new market, thus giving a tremendous impetus to industrialization in Ontario and Quebec, to the coal and steel industries of Nova Scotia, and to the lumber industries of British Columbia.

The two national policies of all Canadian transportation and protective tariffs were closely related. The former made direct economic intercourse between the separate regions possible. The latter promoted east-west traffic, and under the stimulus of western expansion the two together produced a remarkable degree of interdependence among the widely scattered and diverse communities of which Canada is made up. So we have an economically loose transcontinental area transformed into a highly integrated national economy.

There were extensive costly duplications of railway trackage over long stretches of unproductive country. The optimism was pardonable in the days up to 1913. However, the burdens which it ultimately imposed on the federal government must be regarded as the cost of promoting the national purposes of development, national economic integration, and political unity. It may be true that many regional, provincial and local interests were served, but these were only incidental to the prosecution of larger purposes.

To attain the objectives of that costly policy it was necessary to secure a level of rates which would counteract the north-south pull of geography and, if possible, alternative routes to draw traffic over the east-west lines instead. Hence, the Dominion played an important part in shaping the railway rate structure by legislation, rulings of the railway committee, of the privy council, and of the board of railway commissioners.

The objectives of the Dominion appeared clearly in the Crowsnest Pass agreement of 1897. Under this agreement, Canadian Pacific Railway, in return for a subsidy for the construction of the Crowsnest Pass line, undertook to reduce rates on grain and flour moving from the prairies to the head of the lakes by three cents per hundred pounds, and to reduce the rates on a considerable list of settlers' household and building supplies moving westward from Fort William and points east by 10 per cent. The federal government made other agreements with the Grand Trunk Pacific Railway in 1903 which stipulated "that the thru rate on export traffic from the point of origin to the point of destination shall at no time be greater via Canadian ports than via United States ports".

At the same time the eastern exports rates case in 1905 and the international rates case in 1907 resulted in a decrease of about 10 per cent in export rates from Ontario and in the merchandise class rates in eastern Canada. Also, the rates between the maritimes and central Canada were directly under the control of the Dominion through its operation of the Intercolonial Railroad. Because of the location of the line and