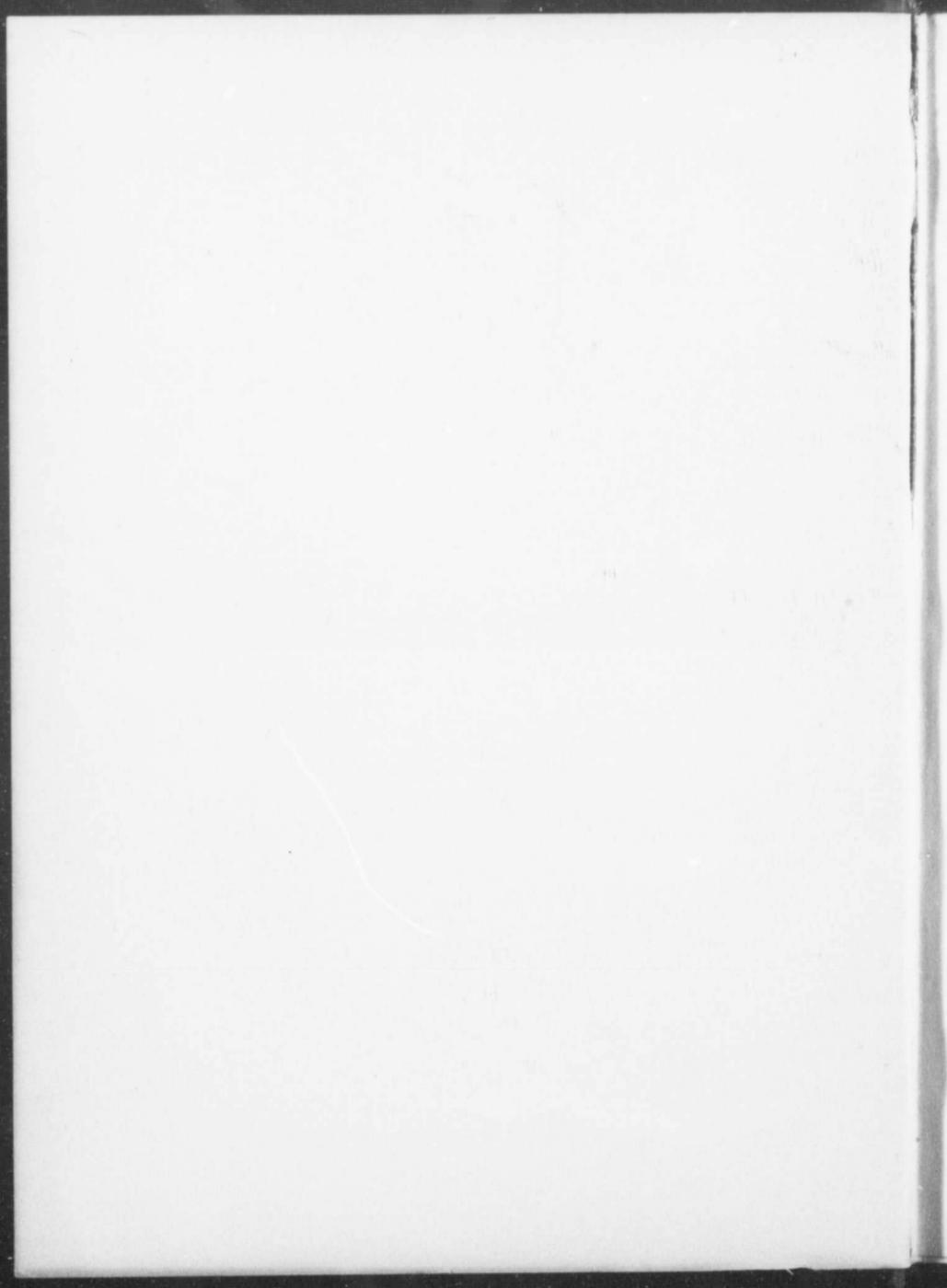
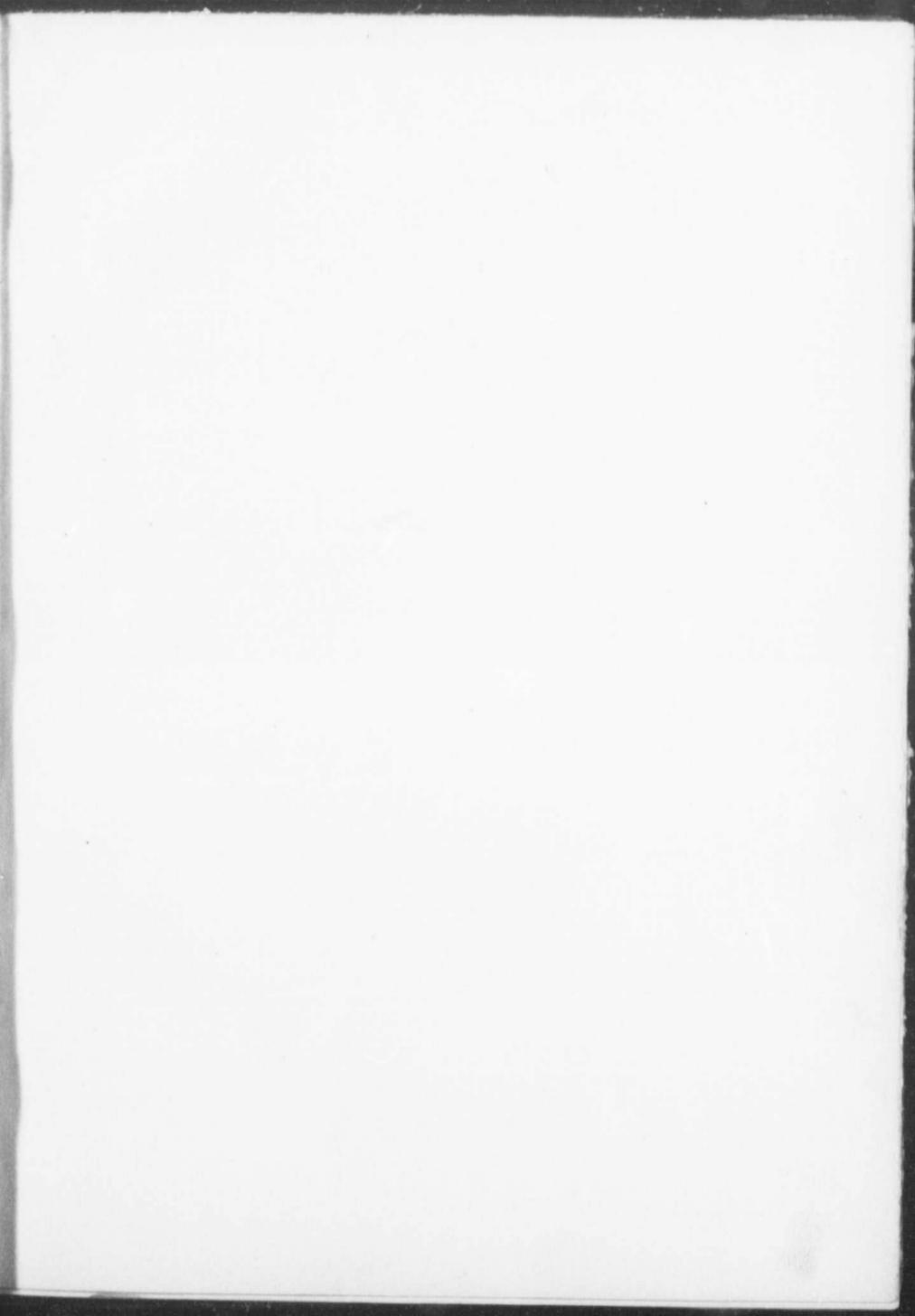


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GENERAL ECONOMIC HISTORY
OF THE DOMINION
1867-1912



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ECONOMIC HISTORY
OF THE DOMINION

1867-1912

BY

OSCAR D. SKELTON

PROFESSOR OF POLITICAL SCIENCE IN
QUEEN'S UNIVERSITY, KINGSTON



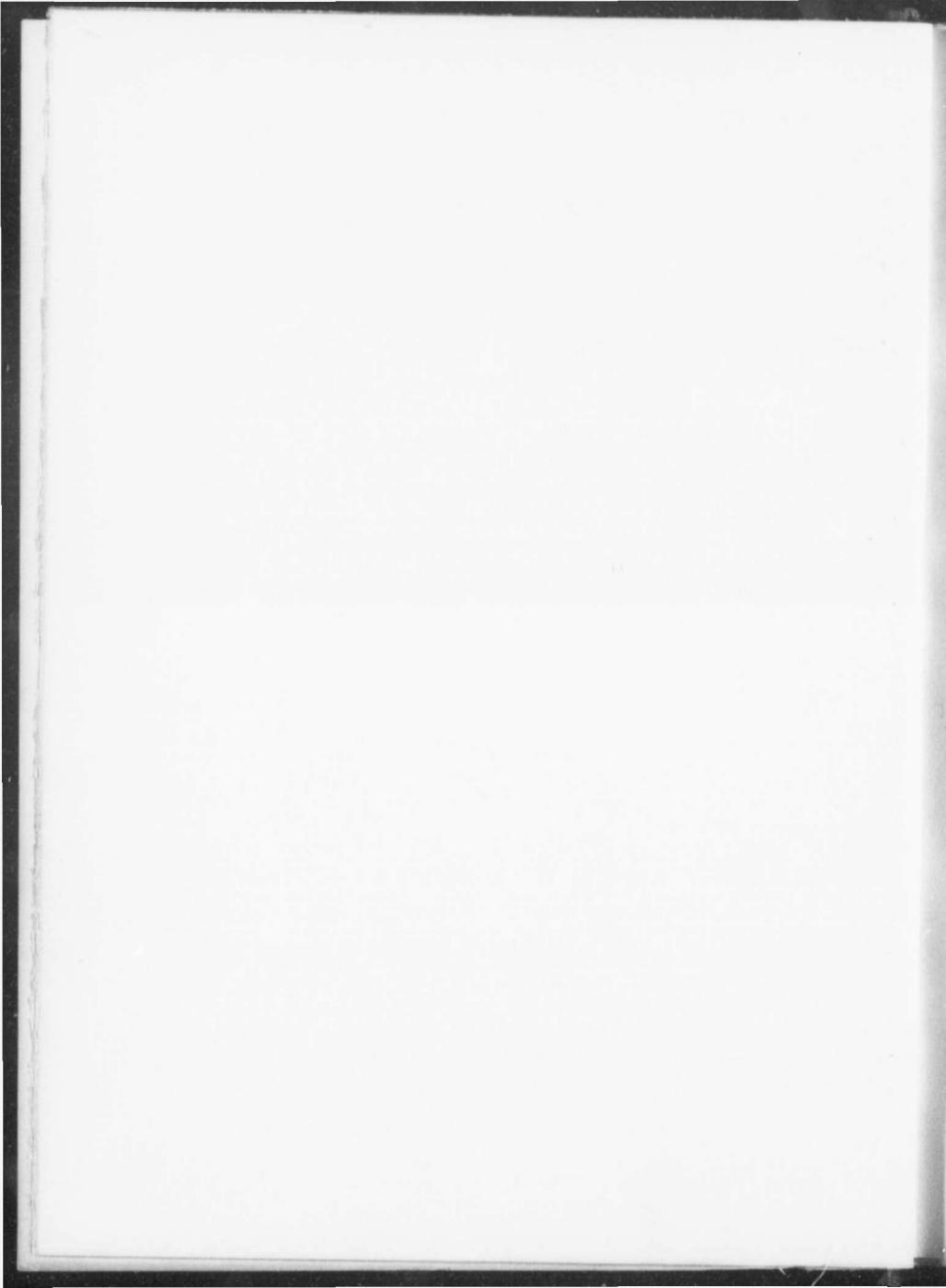
TORONTO
THE PUBLISHERS' ASSOCIATION
OF CANADA LIMITED
1913

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This Volume consists of a Reprint, for private circulation only, of the Fifty-seventh Signed Contribution contained in CANADA AND ITS PROVINCES, a History of the Canadian People and their Institutions by One Hundred Associates.

Adam Shortt and Arthur G. Doughty,
General Editors



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GENERAL ECONOMIC HISTORY

1867-1912

I

THE ECONOMIC OUTLOOK FOR THE NEW DOMINION

WITH Confederation a new stage in the industrial development of the northern half of this continent began. The union of the four original provinces, followed speedily by the inclusion of all the British mainland, vitally affected the productive and commercial activities of the separate parts. Nova Scotia and Ontario and British Columbia, bound together as members of a single Dominion, developed interests and relations quite distinct from those prevailing in the days of their isolation. On the very eve of Confederation, the action of the United States in abrogating the reciprocity treaty, which for twelve years had largely determined trade relations, forced commerce to seek new channels.

In the conquest of America the individual has played a greater part than the state. It is easy to exaggerate the influence of political activities on industrial development, to lay stress on the achievement of the politician at the expense of the achievement of the business man, to underestimate the importance of the daily task of farmer and manufacturer and banker in shaping the nation's material growth. The lumberman cutting his way through the solitary pine forests of the Montreal River, the railroad builder pushing the end of steel every day a mile farther north or west, the farmer hewing out a home in the Upper Canada forest or homesteading on Saskatchewan plains, left few records of their daily

task; the politician worked in the limelight of party and newspaper publicity, so that he who runs may read. Undoubtedly the pioneer, restless, indomitable, has given the distinctive note to the life of the continent. Yet in Canada this has been less the case than in the republic to the south. Motives of state guided the settlement of New France and the building up of the loyalist communities after the Revolution. The paternal zeal of French ministers, the last word of the Colonial Office in London, accustomed the people of Canada to look to a power above and without—a power, not themselves, making for prosperity. Later, when increasing self-confidence brought Confederation, and Confederation brought increasing self-confidence, the somewhat artificial and essentially political character of the new union continued to magnify the importance of the state and of the large tasks with which only the state could cope. Questions of state policy, foreign and domestic, have possessed special significance in the upbuilding of Canada. It has seemed advisable, therefore, to make the federating of the scattered provinces the occasion for a summary review of the industrial potentialities of the new nation, and, in tracing the realization of these latent possibilities, to find convenient halting points in the changes of party régime in 1878, 1896 and 1911.

The citizens of the new-born Dominion, taking stock of national resources, had reason to face the future with courageous hope, sobered by a sense of the obstacles to unity, heartened by a knowledge, or foreshadowing, of the splendid heritage to be developed. There was ample room for the growth of a mighty people; the Dominion covered, or was soon to cover, some three and three-quarter million square miles, an area larger than the United States, and nearly as large as the whole of Europe, bordering on three oceans, and stretching from the latitude of Rome to the pole. This great half-continent lay mainly in the temperate zone, the field of the modern world's great civilizations. Being in America, it was conveniently accessible to the markets both of Europe and of Asia, as well as of the United States. Being in the north temperate zone, it was saved the risk of shipping perishable products through the tropics to market. Being

more northerly than the United States, it had the advantage in nearness to the ports of the other northern continents.

Communication was convenient. In the east the waters of the St Lawrence and Hudson Bay offered shipway far into the heart of the continent, though in the winter months the northern frosts sealed the St Lawrence channel and studded Hudson Strait with ice—a drawback railway construction could not altogether remove, with Halifax twice as far as New York from Toronto. On the west coast, though nearly half the length was cut off from direct access to the sea by the Alaskan extension jutting south—as Newfoundland's Labrador strip in parallel but less hampering way barred half the Atlantic coast—the sunken mountain valleys of the southern half provided deep fiord harbours of unsurpassed magnificence. In the interior the St Lawrence chain of lakes and rivers afforded unequalled facilities for transport, with formidable barriers of falls and rapids to conquer. Far to the west the Saskatchewan carried the possibilities of navigation to the foot of the Rockies, its waters falling into Hudson Bay through the Nelson, and into Lake Superior through the Winnipeg and Rainy Lake chain; but the capriciously winding, swift or shallow waterways of the west, running through plain and prairie land that offered open paths, were destined, in spite of oft-recurring plans and projects, long to play a lesser part than the waterways of the east, flowing deep and straight through dense and trackless forests. The broad Mackenzie found outlet in a frozen sea; the rivers of the Pacific coast were more valuable for the railroad bed they had channelled out than for what traffic their own swift waters could bear. Through the mountains of the Far West, passes, some still unknown, were destined to afford passageway for railroads at less than half the altitude to which the transcontinental roads of the United States were forced to climb. Throughout the whole half-continent there were no impassable barriers and but few grades so steep as to hamper traffic.

Of momentous import for the Dominion's future was the geological basis, which has elsewhere been fully described.¹

¹ See 'The Physical Basis of Canada' in this section.

Habitable Canada was cut in four; nearly half a century after Confederation, the Dominion, seeming on the map to spread two thousand miles from south to north, was still, in three places, less than one hundred inhabited miles wide—where the great Laurentian Plateau all but meets, first Maine and the Appalachian highlands thrusting north, then once more United States territory near the junction of the St Lawrence and Ottawa, and westernmost, the waters of Lake Superior. To-day the building of the National Trans-continental and the Hudson Bay railroads, and the rediscovery of the clay belt north of the height of land are giving breadth as well as length, but throughout the whole period covered in this survey breadth was lacking, and these narrow straits cramped and deflected the current of national development. In what other land would the centre of population fall outside its own borders?

The climate of this half-continent presented the widest variations. Southern Ontario lies in the latitude of Rome, Winnipeg in that of Frankfort, James Bay of London, and Fort Liard, half-way between the United States border and the Canadian Arctic coast-line, of Christiania. But the altitude, varying in the west from 4500 feet in South-Western Alberta, to 900 in the Peace valley and 800 at Winnipeg; the equalizing influence of the ocean or Great Lakes; the ocean currents, iceberg-laden on the north-east, bearing the warmth of the mid-Pacific on the north-west; winds that blow from the icy north upon Ungava but westerly and warm upon the western plains, make latitude no certain key to temperature; the summer isotherm of 55°, which, in the heart of the continent, near Rainy Lake, dips down to within fifty miles of the United States border, sweeps far to the north-west, until, on the Mackenzie, it is north of the Arctic circle. Rainfall is normally abundant in the east, and the western coast ranks among the moistest districts of the world. On the interior plateau of British Columbia, and in the plains and prairies of the central west, the annual precipitation ranges only from ten to twenty inches. Fortunately the bulk of the rain falls in the months when it is needed, and the winter's frosts slowly yield moisture to the growing crops; only a

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small projection of the American semi-arid region, covering less than a hundred thousand square miles, crosses the Canadian border.

For agriculture the prospect was encouraging. The desolate tundras on both sides of Hudson Bay and the mountain areas excepted, there was little of the Dominion where the ploughman or the grazier might not hope for success. In the Maritime Provinces, in spite of spurs of Appalachian highlands, a fertile soil and moist climate promised well for mixed farming, especially stock-raising, and fruit and vegetable growing. In the St Lawrence valley soil and climate alike favoured grain and roots, stock-raising and dairy-farming, and in large areas fruit-growing. In the central west the riches of the future were still veiled by mists of prejudice, and not the most optimistic foresaw the achievement possible when the way of the land had been learned. The fertile valleys of the Pacific coast and the interior plateau of British Columbia were also rich in promise, but they also were to reveal their wealth only to experience. Yet already enough was known of the wide Dominion to make it clear that agriculture would long be the dominating interest.

Almost as great, and seemingly as inexhaustible, was the forest wealth of the Dominion. There were, it is true, vast treeless areas, the barrens of the far north and north-east, the mountain heights, the southern prairie and the semi-treeless lands south of the barrens, sparsely wooded, with forest density only along the watercourses. But fully half the Dominion was forest clad. From the Maritime Provinces to Manitoba stretched a belt of splendid pine. Beyond it, extending from Nova Scotia to the Yukon, three thousand miles in length and averaging two hundred in breadth, lay the spruce belt of the continent. In the St Lawrence valley the only hard woods were found, valuable, but limited and daily lessening, while on the well-watered Pacific slope a vast and heavily wooded coniferous forest furnished one of the world's greatest timber reserves.

Sea and lake and river offered rich harvests, the east and west coast fisheries being perhaps the most extensive in the world, with quality assured by the coldness of the northern

waters. The western plains at worst would prove a mighty game preserve, even the barren north thus redeeming itself. From east to west mineral wealth lay awaiting the prospector's pick, rich in variety and extent, though destined to slow and often disappointing development. Coal had already been found in abundance on both shores, but the geological structure of the interior made its discovery in the St Lawrence valley improbable. East and west and centre alike held stores of iron ore, large in area, though often difficult in treatment; gold and silver, copper, lead and nickel, asbestos, mica and corundum, were all to be discovered in otherwise barren areas.

Here was wealth to employ and amply to reward the toil of unending millions. Yet, rightly or wrongly, no modern land is content with the partial development which the exploiting of natural resources affords. Industrial and commercial eminence was sought, and might in fair measure be achieved. Abundance of raw material, inexhaustible water power, facility of transportation, growing home and foreign markets, favoured manufacturing growth. The competition of older lands, the isolation of the several distinct regions into which the Dominion was divided, the small and scattered population, the long winters, the scarcity of capital and of labour, and the counter-attractions of cheap land and independence, made it evident that success would not be quickly or lightly won.

Noteworthy among the factors shaping the industrial development of the Dominion have been its relations with the United Kingdom and the United States. From the mother country Canada derived in the main the political institutions which have ensured sound and orderly progress, and in early years the settlers, in later years the capital, necessary for development. British connection influenced, though it could not determine, tariff policy, and proved the deciding factor in preventing the linking of commercial fortunes with the United States. The United States—its borders marching for three thousand miles with Canada's, its people largely of common blood and common tongue—has inevitably exercised even more pervasive influence on the general type of civilization, and especially on the economic

life of the Dominion, an influence acting sometimes by attraction and sometimes by repulsion. It has been said that the United Kingdom influenced Canada from above and the United States from below ; we have adopted the cabinet system of Britain and the party methods of the republic ; ' God save the King ' is sung with more fervour than in England, but Broadway slang is on the free list, and baseball has ousted cricket. In the social and business customs of daily intercourse the influence has been most marked. From the United States Canada derived its later land system, the methods of surveying, the homestead policy, the land grants to railways, the activities of the land company and the subdivision expert. The cheese factory and creamery and the fall fair have been borrowed and bettered. Later came the steam-plough and the gasoline tractor, the elevator and the manipulation of elevator grades. The railroads, from gauge, rolling stock and organization, to construction company methods and political influence, show the power of American example, equally with the decimal currency, the system of commercial accounts, and the patent law. Newspapers, fashions, consumers' standards, are much alike. The machinery and methods in saw-mills, flour-mills, canning and packing factories, carriage works, furniture, agricultural implement, builders' hardware and boot and shoe factories, piano works, blast furnaces and foundries and steel mills, pulp and paper mills, are unmistakably of United States origin, direct or indirect. Organized labour and employers' associations, mergers and methods of high finance, the protective tariff, all reveal the same influence. The early waste of the United States warned, its late repentance stimulated, Canadians to adopt the policy of conserving natural resources. Doubtless much of this parallel development has been due, not to imitation, but to recurrence of similar conditions ; doubtless Canada has in her turn modestly influenced the development of the United States, but, all allowance made, there is no question that the intimate, wide-reaching influence of Canada's great neighbour has profoundly affected her industrial development.

Last, but not least important, the observer would have

had to reckon with the personal element in the equation. The Canadian people might in all modesty have considered themselves one of Canada's chief assets. They were almost exclusively of north-western European stock, French, Irish, English, Scottish, German, in the order given. They had been selected and weeded out by the difficulties of emigration and the hardships of pioneer life under a northern sky. Immigration had been gradual, and the newcomers had been thoroughly assimilated; at Confederation eighty-three per cent of the people were native-born, though differences in race and religion and language between French- and English-speaking Canadians undoubtedly diverted energy from economic to political channels. Of industry, orderliness, thrift, and all the copybook virtues they had their due share. Education had been prized, at least in the English-speaking parts, and fairly attained. In many and varied ways Canadians had shown themselves progressive and energetic, and if lacking somewhat of the daring and the sublime self-confidence, individual and collective, which material success and national independence had bred in their cousins to the south, they solaced themselves with the belief that in staying qualities they would prove at least their equals.

II

TAKING STOCK AT CONFEDERATION

SUCH were the more significant elements in the situation which the new-born Dominion had to face. At Confederation only the barest beginning had been made in developing this rich heritage. In the whole half-continent which was soon to be united under one government, there were scarcely three and a half million inhabitants; of these, four of every nine were in Ontario and three in Quebec; west of the Great Lakes, white man, Indian and half-breed all told counted few more than a hundred thousand souls. This pioneer handful were scattered far in farm and fishing village and lumber camp; there were only nine towns in the half-continent with over ten thousand inhabitants. Montreal,

however, had metropolitan claims with its hundred thousand inhabitants, Quebec counted nearly sixty, Toronto fifty, Halifax, St John and Hamilton, between twenty-five and thirty thousand.

In the farthest west relatively little had been done to exploit the varied riches of British Columbia. The feverish days of Cariboo were over, and the production of gold, though still important, had passed the climax. The coal-fields of Nanaimo were being energetically worked. A small export trade in timber had developed. The splendid fisheries of the coast were practically untouched. When the province entered Confederation, one or two whaling enterprises and a solitary salmon-canning factory on the Fraser exhausted the list of endeavour. A few saw-mills and grist-mills, breweries and distilleries, comprised the natural beginnings of manufacturing development. Trade was mainly with the United Kingdom and the United States; direct intercourse with Eastern Canada there was virtually none. East of the Rockies the buffalo still roamed the plains. The palisaded forts of the Hudson's Bay Company, now about to be shorn of its political and territorial powers, a few struggling half-breed settlements on lake and river edge, an occasional brigade of creaking, solid-wheeled, Red River carts laden with furs and pemmican, were the only advance guards of civilization beyond the borders of the Red River settlement.

In the eastern provinces farming came first in importance. The American type of small freehold farm was firmly established. The policy of rapid opening up of the country by actual settlers was being carried out in all the provinces, though with varying energy and varying success. In Ontario the bulk of the land in the western peninsula and on the St Lawrence and Lake Ontario front had been disposed of; in this older region the province still had crown lands and clergy reserves and school lands to sell at modest prices, while a vigorous attempt was being made to carry settlement beyond the Laurentian barrier at which it had halted, by giving free grants of one hundred acres bordering on colonization roads built in the wilderness between Georgian Bay and the Ottawa. Private companies like the Canada Land

Company were slowly selling or leasing their dwindling domains. In Quebec the attempt at setting up feudalism in the New World had been abandoned, though not without leaving a deep and lasting impression on the life of the province. The same policy of free gift of a limited portion of the less desirable lands, and sale on easy terms of the more fertile or more accessible areas, was adopted as in Ontario. In New Brunswick nearly half of the seventeen million acres had been alienated from the crown, though only one-tenth of this half was cleared; lands were sold at fifty cents an acre, or granted in return for labour on adjoining roads. Nova Scotia had disposed of half of its eleven million acres; little of the half remaining was suited for cultivation, but all was for sale at forty-four dollars per hundred acres—considered the cost of surveying. In Prince Edward Island the absentee proprietors, to whom the whole area had been lavishly granted, had not yet been bought out, and only a few thousand acres were in possession of the crown.

Ontario was easily first among the provinces in farming, and farming was first among occupations in Ontario. Wheat was still king; the western province grew many times more wheat than all its sisters, and ranked with the foremost states in the Union, but, except in the newly cropped western counties, reckless wheat-growing was already exhausting fertility. Barley, coming into strong demand with American brewers, and other coarse grains, were rapidly gaining. Stock-raising was fairly widely followed; private and public effort had led to the importation of improved breeds of cattle and sheep, and laid the foundations for greater success in the future. Dairying was just emerging from farm to factory conditions; by 1867 there had been established some half-dozen cheese factories on New York models, aspiring some day to equal New York State in quality. Fruit-growing was limited to local demand. In Quebec wheat-growing had long been stationary or retrograde, thanks to wheat-midge and Hessian fly and exhausting culture, but in the coarse grains and in hay and roots progress was marked. In the Maritime Provinces, except in fertile Prince Edward Island, agriculture had a lesser place. Neither Nova Scotia nor

New Brunswick grew enough wheat for its own support, handicapped by excessive moisture; stock-raising, dairy and fruit farming, for which large areas were eminently suited, were also backward. There had been many good citizens but few skilled farmers among their loyalist and Irish and Highland settlers, and the distractions of fishing and shipbuilding in Nova Scotia, and of lumbering in New Brunswick, unsettling and wage-raising, had prevented the concentration that might have developed native skill.

The forest closely followed the farm as a source of wealth, and especially as a factor in the export trade. The red and white pine of the St Lawrence and Ottawa valleys yielded yearly some fourteen million dollars' worth of exports, squared and ship timber to Britain, sawn lumber to the United States, roughly half in value to each. The supply of hardwoods, recklessly burnt or cut in earlier days, was rapidly dwindling; already Canada had been compelled to fall back on Indiana for its chief supply of walnut. Nova Scotia's forests yielded little, but in New Brunswick the white pine, the black spruce and the larch made lumbering pre-eminent. Abundant potash and pearl-ash exports testify to the rapidity with which settlers were clearing the cumbering forest.

The harvest of the sea was little reaped. The value of the year's catch at Confederation was probably less than four millions. On the Atlantic seaboard, where Nova Scotia, then as now, was foremost, a staple dried-fish trade had been built up with little change in methods through the long years since the cod first drew adventurers to the shores of Canada, or at least since the Jersey merchants a century before had organized the fishery. There was little, if any, deep-sea fishing; the in-shore fishery was carried on by traps or weirs on land, or with hook and line in small boats, or in vessels with their half-dozen men venturing out to the banks ten or fifteen miles away. Cod, hake, haddock and pollock, halibut, herring and mackerel, alewives, smelt and flounder, and sardines, or rather young herring, made up the catch. The salmon of the Atlantic rivers was still supreme in eastern markets. In the frontier lakes of Ontario

whitefish was at the zenith of its wonderful abundance ; the lakes of the interior were little fished except by Indians and half-breeds for their own use.

The mineral wealth of the country was still little known and less developed. The prospector had worked only in the settled fringe or in the regions made accessible by lake and river channel. Development had lagged for lack of skill or capital or markets. Yet a beginning had been made. The gold which early explorers sought in vain had been found in far-scattered fields. In British Columbia the rich placers of the Fraser and Thompson valleys had drawn tens of thousands into the wilderness ; the climax had been reached in 1863, however, with the production of some four millions, and the Cariboo was now dwindling. On the opposite coast gold had been discovered in Nova Scotia in 1860, and, by Confederation, quartz yielding over two millions had been crushed. The alluvial diggings of the Chaudière River in Quebec were extensively if unsystematically prosecuted, and near Madoc the discovery of quartz veins had produced much speculation and a little gold. Silver had been found in many parts of Ontario, but only the mine at Thunder Bay on the north shore of Lake Superior, discovered in 1866, gave promise of profitable working. As far back as 1770 the native copper ores of the same Lake Superior region had lured English capitalists, the first of a long ill-fated line, to investment and loss ; from the middle forties operations at Bruce Mines by Montreal and English companies had met temporary successes but final failure. In the Eastern Townships of Quebec copper pyrite ores had been worked for some ten years, and in a few instances rich surface pockets yielded large returns. Iron had been discovered in many quarters but was mined in few ; the Londonderry mine was the only one operated in Nova Scotia. In Quebec the large deposits of bog ore north of the St Lawrence, and especially in the Three Rivers district, deposited in lake and swamp by the rivers that flow across the iron-bearing rocks of the Laurentides, the magnetite bed on the Gatineau near Hull, and the black sands of the Moisis River, were being worked, while in Ontario the hematite ores of the Peter Bell mine near

Amprior, and the magnetites of Marmora, kept hope of a great industry alive.

Of the non-metallic minerals coal held first place. In Nova Scotia, where coal-mining had been carried on sporadically for a century and a half, and energetically after the passing of the reciprocity treaty in 1854 and the dissolution of the General Mining Association's monopoly in 1858, some six hundred thousand tons were raised a year, two-thirds of it being shipped to the United States; on the Pacific coast the Nanaimo field was yielding about thirty thousand tons. Ontario and Quebec were coalless then as now, but Ontario had its recompense in the petroleum fields of the southern peninsula; oil had first been struck at Oil Springs in Lambton County in 1862, then Bothwell in Kent was developed, and in Confederation year Petrolia was the centre, shipping or tanking three thousand barrels a day. The lack of markets—Canada was consuming only half the output, and Liverpool port authorities were refusing the evil-smelling product storage-room—was, however, hampering industry and threatening the paper fortunes of speculators. Drilling for oil near Goderich in 1866 had led to the discovery of salt, and in August 1867 some ninety barrels a day constituted the beginning of Western Ontario's salt industry.

The rich opportunities and the imperative tasks of farm and forest and sea had thrust manufacturing into a secondary place. Yet notable beginnings had been made, and an enterprise in planning and an energy in execution displayed which promised well for the future. Ontario and Quebec, with their denser population, their more settled modes of life, and their higher tariff, led the way. The industries which had first developed were those for which abundant raw material was at hand, or those supplying necessities for which transportation difficulties or exigencies which could not brook delay, provided a secure local market. They were nearly all operated on a small scale, meeting merely local needs. As a rule neither large capital nor highly skilled labour was demanded. The industrial establishments in which the value of the product exceeded two million dollars, according to the census of 1871, which included both hand trades and factory

industries, were, in order of magnitude, flour-mills, saw-mills, boot and shoe establishments, including both factories and cobblers' shops, tailor and clothier shops, tanneries, foundries, bakeries, woollen-mills, blacksmith shops, carriage factories, shipyards, sugar refineries, distilleries, meat-curing establishments, carpenter shops, cabinet and furniture shops and factories, printing offices, oil refineries, sash and door factories, furriers' and hatters' shops, agricultural implement factories, dressmaking establishments, saddlery shops, tobacco factories, tin and sheet-iron working shops, carding and fulling mills, and breweries. Clearly the majority of these were based on a ready supply of raw materials, and most of the others, especially the hand trades, on the necessity for manufacturing or repairing on the spot.

Flour and grist mills, around which the earliest villages and towns had grown, led the van; every county had its mill, many their score, some their fifty, wherever a mill dam and a wheat supply gave opportunity. Saw-mills were twice as numerous, over five thousand in all, and sash and door factories and furniture and cabinet shops followed in natural sequence. The abundance of hides and of hemlock and oak bark had given rise to a flourishing tanning industry, and cheap leather and a high protective tariff had encouraged the growth of boot and shoe manufacturing, most successful of the strictly factory occupations; at Confederation Montreal was the centre of the industry. Ontario's woollen-mills were flourishing, stimulated by the cotton famine of Civil War times; the honest worth of her tweeds was widely recognized. Homespun were still much worn; perhaps half the farmers still took their wool to a local carding-mill, and after the women had spun it at home, or spun and woven it, took it to a custom weaving-shop or a custom fulling-mill to be finished. Cotton factories were few and backward in comparison; the necessity of importing all the raw material, and the greater superiority of the machine over hand methods, had prevented cotton-manufacturing from developing, in the way that woollen-manufacturing had developed, as a domestic industry, while English competition had hindered the growth of factories.

The blacksmith shop at the cross-roads had grown from repairing to manufacturing, and farm-implement factories, carriage shops, foundries and machine shops were among the most successful of Canadian industries, meeting on equal terms the United States makers, whose models had been largely followed; the range of foundry product ran from stoves to locomotives. In shipbuilding the eastern provinces, where sea and forest met, were pre-eminent; nearly every bay and creek had its shipyard, and the vessels of Yarmouth and St John and Quebec, rated high for strength and speed, had ready sale on both sides of the ocean. Distilleries and breweries found materials and markets on every hand. Sugar factories in Montreal provided one of the few instances of an industry based on foreign supplies. Chemical industries were little developed, drugs, starch, soap and potash being the chief products. Oil refineries and salt works, it has been seen, were increasing rapidly in Western Ontario. The attempts to smelt copper at Bruce Mines had ended in failure; the Eastern Townships had attained somewhat greater success. In iron-smelting it was still the day of small things; blast furnaces at Londonderry (Nova Scotia) and Woodstock (New Brunswick) enjoyed a feeble and fitful activity; in the Three Rivers district the old St Maurice forges, established by the French authorities in 1733, had ceased to operate, but the Radnor and Drummondville furnaces continued to utilize the bog ores and the charcoal resources of the region, chiefly for the making of car-wheels. In Ontario seventy years' experimenting had seemingly come to nothing—what with ores in pockets or difficult to treat, mismanagement or lack of capital or skill, transportation problems and English competition; at Confederation the Marmora furnaces were passing through a periodical reorganization. Yet the necessity of importing pig-iron from Britain did not prevent rolling-mills and industries utilizing iron from ranking among the most flourishing in the Dominion.

III

1867-1878: LAYING THE FOUNDATIONS

THE POLICY OF THE STATE: LAND AND IMMIGRATION

CLEARLY the first need of the new Dominion was men. Vastly more hands were required for the task of subduing half a continent. The natural growth of the native population was rapid; there was yet no occasion for sermons on race suicide by the heads of the state. And immigrants would come from the crowded lands across the sea even if the Canadian governments took no step, as the United States federal government took no step; ambition beckoned them, philanthropists exhorted and organized them, famine and failure thrust them forth. But the impatient eagerness for expansion and active rivalry of other man-hungry new lands forced the state to aid and stimulate the movement.

After a division of labour between the federal and provincial governments had been agreed upon, an energetic campaign was begun. Agencies were established on the Continent, where they met much opposition, and extended in the United Kingdom, where they met a too ready cooperation from charitable societies, and a prejudice, slowly melting into favour, in other quarters. Pamphlet and press and platform made abundantly clear the rosy opportunities of the new land. Cash supplemented advice. To meet the competition of those Australasian and South American countries which offered free or assisted passages, the Dominion established in 1872 a system of passenger warrants, by which approved immigrants were enabled to obtain passage at £4, 15s., or, if married farm labourers or domestic servants, at £2, 5s., instead of the standard six guinea rate. The pre-Confederation policy of somewhat indiscriminate payment of the inland fares of pauper immigrants arriving at Quebec, even though destined for the United States—a payment covered for a time by a small capitation tax, averaging one dollar a head, and finally abolished in 1872—was restricted by order-in-council in 1868, but in 1872 Ontario and Quebec

agreed to pay two-thirds of the railway fare of immigrants settling in those provinces, the Dominion paying the other third; immigrants for New Brunswick, landing at Halifax, were carried free over the government railways. In addition Ontario paid, with varying restrictions, a bonus of six dollars to adult settlers, after three months' residence in that province. By 1873 the total Dominion and provincial expenditure in promoting immigration had grown to over half a million.

More important in directing the flow of immigration than pamphlets or bonuses was the land policy. The United States in their homestead laws of 1862 and 1864 had boldly adopted the policy of free grants of western lands, in the belief that rapid settlement by freehold proprietors would be of incomparably more benefit to the state than the millions for which the land in time might be sold. The result was speedily seen in the westward surge of European and American alike. If Canada was to hold its own, it was imperative to adopt an equally liberal policy.

In the east the ungranted lands were controlled by the various provinces. Nova Scotia and New Brunswick continued to offer their land for sale at nominal prices. Quebec and Ontario supplemented sales by a system of free grants of their backwoods lands, subject to clearing and residence terms. Ontario in 1868 set aside three million acres for this purpose, and in 1871 even provided ready-made clearings and buildings for settlers, an example which Quebec soon followed in connection with an endeavour to repatriate the French Canadians who had drifted to the eastern states. But the lands thus opened for colonization, in the Ottawa, St Maurice and Saguenay valleys, and the Gaspé peninsula in Quebec, and on the Laurentian backbone of Ontario between the Ottawa and Georgian Bay, were in large part barren, difficult of access, even with colonization roads built, and difficult to clear; the scattered fertile areas were scarcely more than adequate for the expansion of the native-born. The ready-made farm experiment was abandoned because of the inability or unwillingness of the settlers to repay the advances.

If European settlers were to be attracted in great numbers, it was clearly necessary to open up the vast empire between the Great Lakes and the Rockies, transferred in 1869 from the Hudson's Bay Company to the Dominion, and under control of the federal government. Recognizing this need, the Macdonald ministry in 1872 adopted the United States policy, from the method of surveying to the method of granting lands. In every fifth township two, and in the others one and three-quarters, of the thirty-six square-mile sections were set apart for the Hudson's Bay Company, and two as endowment for schools. The rest were thrown open to settlement, by purchase at one dollar an acre, with not more than six hundred and forty acres to any individual; or by homesteading, a quarter section being granted free on condition of three years' residence and cultivation. Again following United States example, in 1874 homesteaders were allowed to pre-empt an adjoining quarter section, that is, to secure a three years' option on it, entitling them to purchase it at the regular one dollar price, payable in instalments, and in 1876 tree claims were established, grants of quarter sections, conditional on the planting of one-fifth of the area within four years.

Fair success rewarded this energetic striving. The number of immigrants settling in Canada, some twelve thousand in the first year of Confederation, fluctuated between twenty-five and fifty thousand in the seventies. The highest point was reached in 1873, the year of the crest of prosperity. That year was also the first in which the number declaring their intention to settle in Canada exceeded the number passing through Canada to the United States; not until 1880 did the balance incline again in favour of the United States. Of these settlers Ontario, with its more prosperous farming, its active industries, and its energetic immigration campaign, received the lion's share; the Maritime Provinces were passed by. The day of the West had not yet come. Lack of transportation facilities and the more strenuous display of the attractions of the north-western states proved a serious drawback. The intending settler, say in 1873, had his choice of entering through United States territory by rail to Chicago and St Paul or by water to Duluth, thence by rail to Red

River points, and boat or stage to Fort Garry ; or of making the journey through Canadian territory, by boat from Sarnia or Collingwood to Fort William, thence by the Dawson route maintained by the Dominion government, forty-five miles by wagon from Fort William to Shebandowan Lake, three hundred and ten miles broken navigation in open boats and steam launches to the north-west angle of the Lake of the Woods, and thence ninety-five miles in cart or wagon to Winnipeg—all for ten dollars, and 'board oneself.' In face of the tedious hardships of the Dawson route, and the blandishments of the American land agents along the alternative routes, settlers dribbled in. Winnipeg's three hundred people of 1870 had become seven hundred in 1871, fourteen hundred in 1872, and three thousand in 1876. Probably seven thousand immigrants entered Manitoba in 1877. The new settlers were chiefly from Ontario and the United States ; few from the British Isles penetrated thus far. The beginning of the Continental invasion falls in this period ; some two thousand Icelanders, driven forth by hunger and disturbing volcanoes, and seven thousand Mennonites from Southern Russia, eager to escape the military service their religion forbade, were aided and induced to colonize in Manitoba, where, after much tribulation, success crowned their strivings. But until the completion of rail connection between St Paul and Winnipeg in 1878, cutting a twelve-day journey to three, and raising the price of wheat in Manitoba from fifty cents a bushel to seventy-five, the western rush could not begin.

THE OUTWARD FLOW

On the surface an average immigration of thirty thousand a year would seem to imply expanding industries and rapid opening up of the country. There was, however, grave cause for misgiving. Relatively to the United States, Canada received few of the world's surplus men : in the first ten years of Confederation Canada attracted only one-fourteenth as many immigrants as the United States in all, and only one-sixth as many, including transients, from the British Isles. More serious was the fact that many of the

immigrants soon drifted across the border. Still more serious was the large and growing exodus of native-born Canadians, a remarkable movement, which for over thirty years was the skeleton in the Canadian closet. No official Canadian computation of this emigration exists; the United States official count of Canadian immigrants crossing the border was proved to be grossly inaccurate, and was discontinued in 1886. The most trustworthy sources are the census statistics of the two countries, which show that natives of British North America resident in the United States increased from a quarter million in 1860 to a half million in 1870, and somewhat less than three-quarters of a million in 1880, while during the latter decade natives of the United States in Canada increased only from sixty-four to seventy-seven thousand. A melancholy satisfaction was received from the contemplation of the success achieved by the sturdy worth of these lost sons, while on the other hand Canada recognized the debt she owed to the United States for many of her ablest leaders in the industrial field, notably in lumbering and machinery-manufacturing in the earlier years, and in railroading in a later era.

The causes of the greater drawing power of the United States, as regards both the European and the Canadian, were clear, and for the time irremediable. The free lands of the United States were easily accessible and seemingly limitless, those of Canada difficult of access and belied by rumour. In the republic settlement rolled westward unhindered until the arid plateau of the Far West was reached; in Canada the lakes and the rocky wilderness to the north long interposed a barrier against which the incoming tide beat and was deflected south. To the Canadian the fascination of the great city, its varied business and professional opportunities, drained rural Nova Scotia or rural Ontario as they drained rural New Hampshire and rural New York. Inter-provincial migration was as yet infrequent. 'Boston is a few hours' trip,' declared a Nova Scotia representative at a Dominion Board of Trade meeting, 'but to come to Toronto one needs to mortgage his farm to pay the fare.' To the European emigrant weary of feudal oppression, there was

magic in the name of a republic; for many a year Canadians protested that their government was freer and more efficient than their neighbours', but protested to an unheeding or an unbelieving world.

CANAL AND RAILWAY BUILDING

The immigration question and the land question, it has been implied, were inseparably bound up with the problem of procuring transportation facilities. The vacant wastes could never be peopled, the scattered provinces linked in common interest, nor the markets of the world brought within cheap and convenient reach, except by extensive building of road and canal and railroad. Private enterprise did much to provide the facilities required, but halted at the greater tasks. The bitter experience of English shareholders with the Grand Trunk fiasco, wherever the responsibility for failure lay, made capital fight shy of Canadian railroad schemes; reasons of state forbade the development which in time private efforts would have effected—opening up communication through United States territory; the all-Canadian routes east and west did not promise rich immediate returns. Perforce the state was left to take the initiative and the burden.

In a previous generation canal-building had been the notable public achievement. The existing canals were maintained and improved after Confederation, but no extensive innovations were made, the chief advance being the deepening of the Welland to twelve feet. Proposals for constructing the Baie Verte canal, to connect the Bay of Fundy with the Gulf of St Lawrence, were widely discussed through the seventies, but the scheme was abandoned in favour of a ship railway which swallowed up much private and public capital before it was at last pronounced impracticable. The existing canals had not been as successful in attracting the trade of the western states as had once been hoped, and in any event canals could be of little use in linking Nova Scotia and British Columbia to Central Canada. The dream of utilizing the water stretches of the western plains clung per-

sistently to many Canadian public men, notably to Mackenzie, but time proved its futility. The day of the railroad had definitely come. In the east the patchwork beginnings of the Intercolonial were taken over by the Dominion government, and the road pushed to completion in 1876, forty weary, hope-deferred years after the provinces first began to fill the dusty pigeon-holes of the Colonial Office with prayers for aid in its construction. In the west the vague aspirations for a transcontinental line had taken practical shape when its construction within ten years was made a condition of the entrance of British Columbia into the Union in 1871. The dramatic story of that road, the fluctuation between construction by the state and construction by a state-aided private company, the merits of the final bargain, the engineering difficulties met and conquered, the reputations made or blasted in the bargaining and building, is told elsewhere. Here it is sufficient to note the chief stages in its progress—the failure of the Allan project of 1873 after the Pacific Scandal revelations; the continuation of the surveys, and the construction by the Mackenzie government of the Pembina branch from Emerson to St Boniface, connecting Winnipeg with St Paul, and part of the road from Lake Superior to Winnipeg; the temporary continuation by the Macdonald government of the policy of state construction; the decision to transfer the task to a private company; the consequent bargain made with the Canadian Pacific syndicate in 1881, and the energetic completion of the road in 1886.

COMMERCIAL LEGISLATION

Important legislation affecting commerce was put on the statute-book in these early years. The Rose-King proposals of a bond-secured bank currency came to nothing, but the banking act passed in 1871 gave the security desired without sacrificing the unique economy and flexibility of the Canadian system; ten years later, after the bitter experience of bank failures in 1879, bank-notes were further secured by being made the first charge on the bank's assets. The clamour for the 'rag baby,' or irredeemable paper money, imported from

the United States along with the cry for protection, and linked in advocacy with it, failed to gather strength in Canada. A Dominion insolvency act was passed in 1869, intended to secure the two cardinal aims of bankruptcy legislation—equitable distribution of assets among the creditors, and final discharge of the debtor. Complaints of its abuse by fraudulent debtors led to amendments in 1875 abolishing voluntary assignments, making discharge optional with the court unless the estate realized thirty-three cents on the dollar—raised to fifty two years later—and regulating more stringently the powers and duties of official assignees. The law was cumbersome, and in the commercial crashes of the late seventies it was held responsible for much of the laxity and fraud that prevailed; its critics would not accept amendment, but repealed the act entirely in 1880. Since that date the tradition that an insolvency act encouraged insolvency, objections from the farmers to being refused the privileges granted by the act only to 'traders,' and pressure from the banks, fearful of losing first claims, have prevented new legislation by the Dominion, though the provinces, exercising their partly concurrent power, have passed acts which for the most part prevent fraudulent preference, but cannot provide for the discharge of the debtor. In 1869 the patent law was amended by abolishing the requirement of one year's residence in Canada for obtaining a patent, and substituting a provision that the patent would be forfeited unless manufacture was begun in the Dominion within three years, or if importation by the holder of the title was continued more than eighteen months—periods reduced to two years and one year respectively in 1872. In 1873 the Joint Stock Act was consolidated, and operations by this increasingly important instrument facilitated.

THE FARM : THE COMING OF CHANGE

In the early years after Confederation farming in Canada was in a transition state. Grain-growing was less profitable than in the golden age of the fifties and sixties, when the open United States market and the Crimean War had given

the newly cleared lands of Central Canada rapidly rising value. It had not yet come to be as profitless as in the dark days of the eighties and nineties, when from all quarters of the globe an avalanche of grain poured upon the central markets and forced down prices in its sweep. The adoption of mixed farming was becoming inevitable, and the beginning or the continuation of the development of the live stock industry, the beginnings of dairy industry and fruit-farming mark this period, and give it importance as the forerunner of the more extended efforts that were to follow.

The forces available for production grew; the four hundred and eighty thousand engaged in farming in the four original provinces in 1871 had become six hundred and twenty thousand in 1881, and newer sections held nearly forty thousand more; the land occupied increased from thirty-six to forty-one million acres in the four provinces, and forty-five in the whole Dominion, while the land improved rose from seventeen to twenty and twenty-two million acres respectively. Comparatively little was done to increase the farmer's skill and knowledge of his craft; some voluntary associations, notably the Ontario Fruit-growers' and Dairymen's Associations, did useful missionary work, and in the central provinces the government supplemented their efforts, but, with the exception of the founding of the Ontario Agricultural College at Guelph in 1874, the state, federal and provincial administrations alike, gave as yet little leading. Enterprising pioneers, such as Farrington and Graham, Read and Ballantyne, rendered invaluable service to the dairying industry, while men like Cochrane and Brown, whose imported short-horn herds were unsurpassed in the world, blazed the way for their less progressive fellows. Markets shifted. The abrogation of reciprocity checked the demand for live stock and animal produce, though not seriously affecting the trade in barley and oats. The development of transportation facilities opened up a new and profitable trade in shipping live stock to Great Britain, while the completion of the Intercolonial fostered interprovincial trade in foodstuffs.

The land west of the Great Lakes contributed little as yet to the world's markets. British Columbia showed relative

progress, especially in sheep and cattle ranching, the area in pasture exceeding the area under crop in this alone of the provinces ; for the most part the Pacific province was still in the stage of gold and furs, sealskin and salmon shipping, the stage of the Alaska of thirty years later. In the valley of the Red River and of the Assiniboine and even the Saskatchewan, settlers were breaking the prairie, some endeavouring to imitate the bonanza farms of the states to the south in their ambitious working ; wheat alone was grown, and not yet in quantities appreciably beyond home consumption ; cattle were grazed on the open plains.

In the Atlantic provinces there was steady and healthy progress, alike in wheat-growing, stock-raising and fruit-growing. Yet agriculture continued to be a side-issue except in Prince Edward Island, and the three provinces were not even self-sustaining. Ontario and Western Quebec were still as all-important in farming as Nova Scotia in fishing, and of the two provinces Ontario continued to overshadow in commercial importance her neighbour's more self-sufficient economy. The distinctive features of these years were the remarkable expansion of the cheese and live stock industries. The time was ripe for a change. Exhausted lands and growing competition gave warning against reliance on wheat ; the soil and climate of Ontario and the Eastern Townships were admirably adapted for both industries ; the opportune importation of cheese factory methods from New York State, and the simultaneous development of steamship facilities for shipping cattle, along with a dearth in Great Britain from plague and bad weather, brought the favourable conjuncture. In 1873 not a beast was shipped from Canada to Britain ; by 1880 more than thirty thousand cattle and one hundred thousand sheep were crossing the sea. In 1864 the first cheese factory had been started in Oxford County ; by 1880 there were nearly five hundred in operation, shipping forty million pounds to the United Kingdom. In cattle there was much room for improvement in the quality, the great majority of farmers continuing year after year to raise common scrubs instead of good grades, but in cheese a high level was rapidly reached, as Canadian success at the Philadelphia Centennial

Exhibition in 1876, and the carrying off by Canadians of the sweepstake prizes at the New York International Dairy Fair in 1879, duly showed. Fruit-growing began to attain important dimensions, especially in the Niagara peninsula; we find in 1888 seventy thousand baskets of peaches shipped from Grimsby; but to the average farmer fruit continued an incidental by-product of his general farming, and not even a profitable by-product. In the words of the Ontario Agricultural Commission of 1881, words which have wider application than merely to Ontario and to fruit-growing, 'what has been planted has often been planted without judgment in the first selection; what has been grown has been inferior because uncultivated and left to chance; what has been marketed has been profitless because ill-gathered and damaged by insects or rough usage.'¹ But a better day was dawning.

THE GROWTH OF THE FISHERIES

The fisheries showed steady growth. In 1869 the commercial catch of the Dominion was estimated at a value of nearly four and a half million dollars, in 1872 at nine and a half, and in 1877 at twelve. The newly organized federal department of Marine and Fisheries exercised a helpful vigilance, proclaiming close seasons to protect the spawning fish, issuing licences specifying the kind and mesh of net allowed, and prohibiting obstruction and pollution of the rivers. Following up the private initiative of men like Wilmot of Ontario and Holliday of Eastern Quebec, the government undertook artificial hatching and distributing of fry on a large scale. On the Pacific coast the salmon-canning industry now began to attain commercial importance, the product exceeding one hundred thousand cases in 1878. In the frontier Great Lakes the yield of whitefish and trout had fallen with reckless overfishing. On the Atlantic coast, aside from the inevitable ups and downs of changing weather and varying runs, the staple fisheries expanded. In 1873 Lunenburg vessels began to sail to the banks for deep-sea fishing. The other notable feature of the Atlantic industry was the

¹ *Report of the Ontario Agricultural Commission, 1881, p. 111.*

growth of lobster-canning ; United States canners, after the exhaustion of the north-east coast fisheries, turned to the last great lobster fishery of the world, the Canadian coast, where such was the abundance that storms often cast up rows five feet high for long stretches of the shore. The canneries rapidly multiplied, and by 1878 their output exceeded a million and a half in value. The cod, the mackerel, the herring, the lobster and the salmon, were in this period the chief sources of the fisherman's prosperity.

THE MINE : UNDEVELOPED RICHES

Mining made slow progress. Sometimes showy surface veins failed to hold depth and richness ; sometimes there was a lack of capital ; sometimes a superabundance of capital, wasted in extravagant preliminary outlay by managers of distant English companies ; sometimes there occurred the inevitable mining and metallurgical difficulties presented by new deposits ; sometimes transportation problems ; sometimes the barring of the markets by hostile tariffs. Gold production fell ; in British Columbia the discoveries of Ominica in 1871 and Cassiar in 1874 temporarily restored the declining yield, but the richer gravels were soon worked over, and after 1881 the placer output fell below a million a year. The Quinte district of Ontario absorbed half a million of hopeful capital in three years, but gave little back ; the alluvial diggings of the Chaudière dwindled, especially after 1876, and in Nova Scotia small claims, wasteful methods, and neglect of the low-grade ores, contributed to bring about a fall from twenty-seven thousand ounces in 1867 to ten thousand seven years later. Silver afforded one brief gleam of romantic success. In 1868 a rich silver-bearing vein was found on an islet at Thunder Cape, part of a location belonging to the Montreal Mining Company, which for over twenty years had heroically persevered in its endeavours to develop the silver and copper wealth of the north shore. But the shareholders had come to the end of their patience, and, rather than raise fresh capital, they sold their rights to an American company for a quarter million. In four days the

new owners took out sixty thousand dollars' worth of silver, and in 1884, when working was suspended, the Silver Islet had yielded them over three millions. A fall in the price of copper deterred development both in Quebec and at Bruce Mines; failing deposits, wasteful methods of concentrating, high freights, played their part, though the Bruce Mines directors endeavoured to reduce the latter cost by shipping in steamers direct from Lake Superior to Swansea. Production of iron was arrested by the depression in the United States and the consequent loss of the chief ore-market.

Coal had been hard hit by the repeal of the reciprocity treaty. From 1866 to 1872 Nova Scotia's coal had to face a tariff of \$1.25 a ton, and from 1872 to 1894 75 cents; by 1872 the exports to the United States had fallen to one-third of their level in the era of reciprocity. Meantime new markets were being sought at home and in Ontario and Quebec, and gradually the lost ground was recovered. British Columbia, with a monopoly of the good coal on the Pacific coast, fared better, and home consumption and foreign shipments grew steadily. In Ontario the petroleum field continued to furnish spectacular developments. In 1868 the ruinous over-production, forcing prices of crude petroleum down to thirty cents a barrel, had been temporarily remedied by a bold stroke of Judge Higgins of Chicago, aided by Kingston and Hamilton capitalists; the combination bought the existing stock of oil, and bought or leased the fifty oil refineries, binding the refiners not to manufacture except for export. In 1869 the Oil Refiners' Association endeavoured to carry out the same policy, agreeing with the well-owners, who also organized an association, to share profits conditionally on receiving their whole output; production for home consumption was strictly limited, and every effort made to develop a foreign trade. Temporary success followed; by 1870 the home trade absorbed 2,700,000 gallons and the European markets 7,000,000. But the processes of deodorizing used were expensive and not entirely successful; in 1873 the discovery of deep-level oil in Pennsylvania, with flowing wells yielding their thousand barrels a day, of better quality for illuminating, though not for lubricating, purposes

than the Canadian oil, killed the export trade. The home market was protected by a duty of fifteen cents a gallon, offset in part by an excise tax of six cents, which had been imposed in 1868 at the instigation of the refiners' ring, to raise the price of the large stocks they had on hand, and which served later as a check on the production of rival refiners—'the only means they had of keeping one another honest.'¹ In spite of this and other expedients it was impossible to keep the association together, though throughout the seventies repeated endeavours were made to secure combined control either through the refiners or through the producers of crude oil : the industry fell to lower levels. Meantime the neighbouring salt industry had attained importance. The Onondaga Company of New York attempted in 1869 to crush out the rising Ontario industry, as it had attempted to crush out the Michigan development, by underselling. A clamour arose for protection, and the short-lived National Policy tariff of 1870 afforded this for a time ; then, without a duty, the men of Huron succeeded in facing and driving out their competitors, and even in 'dumping' in the United States in their turn. In salt as well as in oil, over-production led shortly to combination.

MANUFACTURES : EXPANSION ON OLD LINES

The manufacturer shared in the nation's prosperity until 1873, and shared in the depression that followed. In the earlier years there was marked progress on established lines. The scale of operations grew steadily. Little foreign capital was utilized ; the rapid profits of existing businesses and the multiplying of banks eager for custom, provided the funds for expansion. 'There isn't a manufacturer of us all,' declared one of the most successful pioneers in the flourishing agricultural implement industry in 1876, 'who hasn't come up from five dollars.'² But in the later seventies manufacturers at best marked time. The industries which suffered most were those which depended on foreign markets, such as the

¹ E. D. Kirby, *Proceedings of Dominion Board of Trade*, 1873, p. 57.

² F. T. Frost, *Report of House of Commons Committee on Depression*, 1876, p. 120.

lumber trade, or which were exposed to the competition of English textile manufacturers, or United States hardware or furniture makers or jobbers; or those in which high profits had tempted excessive domestic investment, such as the boot and shoe industry.

The working up of the products of the farm continued to hold first place in manufacturing activity. Flour-mills, distilleries and breweries rested on local supplies; tanneries and woollen-mills found it necessary to supplement home by foreign materials of kinds not produced in Canada, the balance being redressed by the export of Canadian hides and long-combing wools. Good prices and exhaustion of land by incessant wheat-growing having induced Western Ontario farmers to turn to the cultivation of flax, linseed-oil mills started up to utilize the seed, and scutching-mills to work up the fibre. The most notable development in the utilization of farm products was the rapid growth of cheese factories in the central provinces, a movement already noted in the survey of agricultural progress; as a matter of fact, cheese-making is as much a branch of manufacture as flour-milling, but its later divorce from the farm, its rural location, and its control frequently by co-operative societies of farmers, have usually led to its classification under farming activities. The pork-packing industry witnessed interesting changes. Slaughtering at the factory instead of at the farm became more general.¹ The invention of refrigerating processes made summer packing possible, and lengthened the packing year from four months to twelve. Canadian hogs, pea and barley fed, could not compete in cheapness with United States corn-fed products in the fat-pork-consuming lumber camps, and were too fat for the discriminating taste of the English market; accordingly, pending the education of the Canadian farmer in the

¹ Evidence that 'Jungle' methods are not new in the world is found in a reference by a leading Canadian packer to the conditions prevailing before the coming of the practice of slaughtering at the packing-houses. 'The hogs are frozen and taken to the country stores, piled up like cordwood and gnawed by hogs, dogs, cats and rats. They are covered with dust and dirt, pitched about with no more care than cordwood, kept in a country warehouse for two or three weeks, sometimes months, and then are brought here by railway; and by the time they reach us they are more like carrion than human food.'—William Davies in *Report of Ontario Agricultural Commission, 1881*, p. 338.

raising of small lean bacon hogs in steady and sufficient numbers, Canadian packers imported United States hogs in bond, and exported hams and bacon to Great Britain.

Cotton-manufacturing prospered ; between 1867 and 1877 the number of spindles grew fourfold, makers of greys drove their English rivals out of the field, except in 'slaughter' markets ; mills were fitted up with dye-houses, and checks and coloured shirtings were added to the plain grey staple. The boot and shoe industry was transformed by the adoption of the M^eKay sewing process in place of wooden-pegging methods, which in their earlier days had seemed a wonderful advance.

Little metallurgical advance can be recorded. An experiment at Marmora in 1875 in the use of petroleum in smelting iron added variety to the list of failures. The ores of Eastern Ontario continued to be shipped across the lake to furnaces in United States border cities. In timber industries the most notable developments were afforded by shipbuilding. An important change came when ships were built for trade and not merely for sale ; Yarmouth skippers were seen in every port from Hamburg to Hong-Kong, and in proportion to population Nova Scotia led the world, not only in shipbuilding but in navigation. By 1878 the Dominion possessed over 1,300,000 tons registered shipping, ranking fifth among the nations. But already the climax had been passed ; the iron sailing-ship or steamship, more durable and entitled to lower insurance rates, and later the steel steamship, drove the wooden clipper from the high seas, and the chief industrial glory of the provinces down by the sea departed.

COMMERCIAL RELATIONS WITH THE UNITED STATES

External trade relations divided attention with questions of internal development. In the early days of Confederation, with the memory of the Reciprocity Treaty of 1854-66 still green, foreign trade relations meant almost exclusively relations with the United States. Along the common three-thousand-mile border there were many points of friction where diplomatic oil was constantly needed. In the days of

provincial isolation and lack of home markets, admission to the markets of the United States seemed to the majority the only panacea for Canada's ills. The matters at issue between the two countries were threefold—fisheries, transportation, markets. In the earlier negotiations it was generally conceded that Canada held the trump cards on the first two points, and the United States on the third. The Dominion had rich treasures in her inshore Atlantic fisheries—the Pacific waters were still unharvested—within the three-mile limit, where her rights had never been questioned; the shore fisheries on the United States eastern coast were nearly exhausted. The Dominion, joint owner of the Great Lakes and upper St Lawrence, and owner of the majority of the canals along the lake and river system, controlled the natural outlet of the products of the western states. In markets, on the other hand, the prevailing acceptance of the producer's standpoint brought general admission that the smaller nation had more to gain from reciprocal freedom of trade than the larger; in Canada, however, the mutual gain was magnified, the indispensableness of the United States outlet denied, and the advantages to the republic proved by dubious reasoning as to favourable balances of trade; in the United States the benefit of reciprocal entry of natural products was held to be entirely Canada's, and free admission of manufactured products essential to redress the balance.

Throughout the negotiations summarized in the accompanying table, the Canadian policy was definite and broadly uniform. It consisted in pressing hard the advantage in fisheries and transportation to purchase as good a bargain as might be in the markets. This policy is frankly summarized in the protest made by the Macdonald administration in 1871 to the British government against the acceptance of the Washington Treaty:

The Committee of the Privy Council may observe that the opposition of the government of the United States to reciprocal free trade in the products of the two countries was just as strong for some years prior to 1854 as it has been since the termination of the Reciprocity Treaty, and that the Treaty of 1854 was obtained

als,	Unrestricted Reciprocity Proposals, 1888	Foster-Thompson-Bowell Negotiations, 1891-92	Joint High Commission, 1898	Negotiations, 1905-11
	As in 1854-66.		Same; and settlement of Bering Sea seal question.	Commission for regulation of border fisheries (1908 draft treaty). Reduction of <i>modus vivendi</i> licence to nominal fee of one dollar (1911 Reciprocity negotiations). Hague Arbitration of Atlantic fisheries dispute, 1910. Settlement of Pacific seal dispute, 1911.
	Same.	Same. Reciprocity in coasting trade and in salvage.	Same. Same.	Joint commission for regulation of international traffic rates proposed, 1910. Waterways Commission to control questions regarding navigation, power, and sanitation in boundary waters, established 1905-9.
be- ates nla- inst boli- uses n of dis- inst	Complete free trade between United States and Canada; no assimilation of tariffs; maintenance of custom-houses; no division of customs revenue; probably discrimination against United Kingdom.	Renewal of the treaty of 1854-66, with the modifications required by the altered circumstances of both countries, and with the extensions deemed by a joint commission to be in the interests of Canada and the United States. No discrimination against United Kingdom.	Same. Preferential tariff on statute-book.	Payne-Aldrich maximum tariff negotiations, ending in exchange of United States minimum for Canadian general tariff, 1910. Reciprocity in bulk of natural products, on free list or reduced duties; reduction of duties on specified list of manufactures; recognition of Canada's preference to United Kingdom; proposals defeated, 1911.
		Treaty.	Treaty.	Concurrent legislation in latter case; otherwise by treaty.

COMMERCIAL NEGOTIATIONS WITH THE UNITED STATES, 1854-1911

Subject	Reciprocity Treaty, 1854-66	Galt Negotiations, 1865	Galt-Howland Negotiations, 1866	Rose Negotiations, 1869	Washington Treaty, 1871	Brown-Fish Draft Treaty, 1874	National Policy, Statutory Offer, 1879	Tupper Negotiations, 1887	Commercial Union Proposals, 1887	Unrestricted Reciprocity Proposals, 1888	Foster-Thompson-Bowell Negotiations, 1891-92	Joint High Commission, 1898	Negotiations, 1905-11
FISHERIES.	Reciprocal right to take and cure fish on Atlantic coasts, of United States north of 39°, and of Canada, New Brunswick, Nova Scotia and Prince Edward Island.	As in 1854-66.	As in 1854-66.	As in 1854-66.	As in 1854-66, except that United States coast fisheries were opened only north of 39°. United States to pay money compensation for superior value, if any, of access to Canadian fisheries.	As in 1854-66; fisheries arbitration to be dropped. Joint commission for protecting and propagating fish in joint inland waters.	1871 treaty still in force.	As in 1854-66. <i>Modus vivendi</i> , admitting United States ships to port and bait privileges on payment of licence.	As in 1854-66.	As in 1854-66.		Same; and settlement of Bering Sea seal question.	Commission for regulation of border fisheries (1908 draft treaty); Reduction of <i>modus vivendi</i> licence to nominal fee of one dollar (1911 Reciprocity negotiations). Hague Arbitration of Atlantic fisheries dispute, 1910. Settlement of Pacific seal dispute, 1911.
TRANSPORTATION.	Canada gives free navigation of St Lawrence and use of canals on same terms as to its own citizens; United States grants free navigation of Lake Michigan, and agrees to urge States of New York and Michigan to open state canals on equal terms.	As in 1854-66. Canada also to improve canals; inland waters to be made common highway, maintained at joint expense. Reciprocity in coasting trade and in bonding transit trade.	As in 1854-66, and canal improvement.	As in 1854-66.	Canada gives free navigation of St Lawrence for ever, and use of canals on equal terms during life of treaty; United States grants navigation of Lake Michigan and St Clair Flats canal for term, and of Alaskan rivers for ever; agrees to urge state governments as before. Reciprocal bonding privileges.	Same: Canada agrees to enlarge Welland and St Lawrence canals, and to build Caughnawaga canal. Reciprocal coasting trade on lakes.	1871 treaty still in force.	Settlement of bonding and canal issues.	Same.	Same.	Same.	Same.	Joint commission for regulation of international traffic rates proposed, 1910. Waterways Commission to control questions regarding navigation, power, and sanitation in boundary waters, established 1905-9.
MARKETS AND TARIFFS.	Reciprocal free admission of nearly all natural products, of farm, forest, mine and sea. Discrimination against United Kingdom and other countries on some minor commodities.	As in 1854-66, except that Canada is to consent to imposition by United States of customs duties equivalent to excise levied. Certain manufactures reciprocally free; also free from England. On liquors, tobacco, and other goods to be agreed upon, the two parties to assimilate rates of duty, and divide revenue.	Same.	Same.	Fish and fish-oil reciprocally free.	Reciprocal free admission of natural products, also of specified manufactured articles, by sliding-scale reduction of existing duties; Canada to grant same terms to United Kingdom.	Reciprocal free admission of specified natural products; renewing, with variations, offer made in first Confederation tariff.	'Not an offer of unrestricted reciprocity, but an unrestricted offer of reciprocity.' — Sir Charles Tupper.	Complete free trade between United States and Canada; assimilation of tariffs against other nations; abolition of custom-houses on border; division of customs revenue; discrimination against United Kingdom.	Complete free trade between United States and Canada; no assimilation of tariffs; maintenance of custom-houses; no division of customs revenue; probably discrimination against United Kingdom.	Renewal of the treaty of 1854-66, with the modifications required by the altered circumstances of both countries, and with the extensions deemed by a joint commission to be in the interests of Canada and the United States. No discrimination against United Kingdom.	Same.	Payne-Aldrich maximum tariff negotiations, ending in exchange of United States minimum for Canadian general tariff, 1910. Reciprocity in bulk of natural products, on free list or reduced duties; reduction of duties on specified list of manufactures; recognition of Canada's preference to proposals defeated, 1911.
DURATION.	Ten years' treaty, plus one year's notice.	Concurrent legislation, terminable at will.			Ten years' treaty, plus two years' notice.	Twenty-one years' treaty, plus three years' notice.	Concurrent legislation.	Treaty.			Treaty.	Treaty.	Concurrent legislation in latter case; otherwise by treaty.

Name of Debtor	Address of Debtor	Description of Property	Amount of Debt	Date of Maturity
[Faded Name]	[Faded Address]	[Faded Description]	[Faded Amount]	[Faded Date]
[Faded Name]	[Faded Address]	[Faded Description]	[Faded Amount]	[Faded Date]
[Faded Name]	[Faded Address]	[Faded Description]	[Faded Amount]	[Faded Date]
[Faded Name]	[Faded Address]	[Faded Description]	[Faded Amount]	[Faded Date]

Subscribed and sworn to before me this [] day of [] 19[]

Notary Public in and for the State of Texas

chiefly by the vigorous protection of the fisheries which preceded it, and that but for the conciliatory policy on the subject of the fisheries, which Her Majesty's Government induced Canada to adopt after the abrogation of the Treaty of 1854 by the United States, it is not improbable that there would have been no difficulty in obtaining its renewal.¹

A brief review of the negotiations during this period, including for continuity's sake a year or two before Confederation, shows the tenacity with which this policy was followed by Canadian negotiators, of whichever section or party, and how closely the questions of fisheries, canals and markets were connected.

CANADIAN EFFORTS TO RENEW RECIPROCITY

When in 1864 the cumulative effect of anger at British and Canadian sympathy with the South, rising protectionist sentiment, pressure of internal taxation, aggrieved sectional interests, and the absence from Congress of the low-tariff southerners led the United States to give notice of the abrogation of the treaty of 1854 at the earliest possible date, March 17, 1866, the colonial ministries somewhat tardily prepared to meet the emergency. In 1865 four members of the cabinet of the Province of Canada went to England to confer with the British government as to federation, defence and reciprocity, and secured the promise of the good offices of the British ambassador at Washington. In September of the same year representatives of all the North American colonies met at Quebec, forming the Confederate Council on Commercial Treaties. After making arrangements for dispatching a commission to the West Indies and South America to find a new outlet for their threatened trade, they drew up resolutions in favour of a reciprocity treaty, with any reasonable modifications the United States might urge. In November A. T. Galt, minister of Finance in the Canadian coalition cabinet, carried on negotiations at Washington,

¹ Correspondence on the Treaty of Washington, *Canadian Sessional Papers*, 1872, No. 18.

informal and tentative, but significant of the length the government was willing to go, or at least to discuss: they covered reciprocity in fisheries, canals, coasting trade and exchange of natural products, subject to imposition by the United States of customs duties to balance the heavy internal revenue tax levied on home-grown products. While Britain's interests were guarded by providing that certain manufactured goods, to be free between the two countries, were to be free when from Britain also, Galt contemplated, so far as liquors, tobacco and other goods were concerned, a measure of commercial union, with assimilation of tariffs against transatlantic imports and equitable division of receipts. The agreement was to be enacted by concurrent legislation, which, in the view of George Brown, 'would keep our people dangling from year to year on the legislation of Congress, looking to Washington instead of to Ottawa.' Galt withdrew his memorandum, but Brown, not appeased, resigned from the cabinet. The following month, January 1866, Galt and W. P. Howland, representing Canada, Smith for New Brunswick and W. A. Henry for Nova Scotia, opened negotiations in Washington with the Ways and Means Committee of the House of Representatives. Agreement was reached on the principles—practically the *status quo* in fisheries and transportation, with customs duties to balance internal revenue taxes—but in the detailed application the House Committee showed by the excessive rates proposed, ostensibly to balance excise duties, not less than by the free list suggested, burr millstones, grindstones, rags, gypsum and firewood, that they were indifferent whether or not a bargain was struck. The provincial delegates had no choice but to decline, and negotiations ended.

To this rebuff the Province, and later the Dominion, of Canada gave a soft answer. 'The provinces,' according to George Brown, 'believed in the practical good sense of the United States people, especially with such a balance-sheet to look back upon as the results of the treaty of 1854 present. They assumed that there were matters existing in 1865-6 to trouble the spirit of American statesmen for the moment, and they waited patiently for the sober second thought which

was sure ere long to put all things right.'¹ The privileges granted the United States under the treaty were continued after the treaty: the St Lawrence and Canadian canals remained open to American commerce—incidentally because Canada wanted nothing less than to lose her share of the carrying trade of the western states; nearly all the articles free by treaty were allowed to come in still duty free, as for the most part they had been free before the treaty was made; and finally, unwillingly, and only in deference to the Colonial Office, the freedom of the shore fisheries was continued on payment of a licence fee, gradually increased from fifty cents to two dollars a ton—a payment which many of the United States vessels using the fisheries refused to make.

Meantime negotiations continued. In 1869 Sir John Rose, minister of Finance in the Macdonald administration, renewed practically the Galt terms of 1865; it was later alleged by L. S. Huntington, on first-hand authority, that Rose agreed to enter a *zollverein* discriminating against Great Britain; Sir John Macdonald denied the statement, but the details of the negotiations and the cause of their failure are shrouded in mystery. There followed a brief experiment in retaliation in the imposition in 1870 of duties on coal, salt and breadstuffs, but Canadian public sentiment was as yet averse to protection of natural products, and while Sir John Macdonald was in Washington his colleagues in the cabinet abandoned the experiment, and even joined in voting down a resolution to retain the duties to serve as makeweights in the pending negotiations with the United States. These negotiations, originating in Canada's suggestion of a conference to determine the exact rights of each country in the shore fisheries under the convention of 1818, had been widened to provide for a settlement of the Alabama claims, then straining relations between the United Kingdom and the United States. Sir John Rose had been active in the negotiations leading to the establishment of the Joint High Commission agreed upon, and Sir John Macdonald was appointed one of the five British commissioners; so far was Canada's share in the control of her foreign relations recog-

¹ *Memoir on Proposed Reciprocity Treaty, 1874.*

nized. So far, but so far only; Sir John Macdonald, fighting manfully for a settlement on the orthodox lines of free fisheries and canals in return for free markets, received little backing from his colleagues, who, in his classic phrase, 'had but one thing in their minds, to go home to England with a treaty in their pockets settling everything, no matter at what cost to Canada.' Reciprocity in trade, in coasting privileges and in registration of vessels was summarily rejected; Canada's claim for redress for the Fenian raids was not even considered; the fisheries question was settled by itself, each country opening its fisheries and its markets for fish and fish-oil, with provision for a money compensation to Canada to be determined by arbitration, to balance the greater privileges she thus offered. The settlement was greeted by a storm of opposition in the Dominion; the Maritime Provinces doubted the possibility of securing adequate money compensation, the western provinces deplored the loss of their lever for prizing open the United States market, all denounced the unfairness of rejecting the claims in respect of the Fenian raid. There was, of course, much mere party manœuvring behind the criticism, but the cabinet itself, in Colonial Office correspondence, was foremost in denunciation. Finally the Canadian parliament accepted the arrangement, Sir John Macdonald soundly urging sacrifice in the interests of the Empire.

When the Mackenzie administration came into power, it found it had inherited the duty of proceeding with the fisheries arbitration. Consistently with settled tradition, it decided to attempt to reopen the whole question of commercial relations, and secure open markets instead of an uncertain and probably irritating money payment. Accordingly in 1874 George Brown was appointed by the British government joint plenipotentiary with Sir Edward Thornton, ambassador at Washington, and negotiations were opened with the State department. Brown had at last the task his ambition craved and his talents warranted. However awkward a cabinet colleague, however extreme a political partisan, he stood out in these negotiations as the ablest and sturdiest in the long line of Canada's commercial ambassadors.

He began by preparing a strong memorandum, showing most convincingly the benefits which the former reciprocity treaty had brought to the United States, and disabusing the popular mind of the impression that Canada had nothing left to offer ; he made it clear that Canada could and did prosper without reciprocity, but would prosper more with it. His newspaper experience enabled him to utilize to the full the forces of advertisement, with such success that hostile critics on both sides of the line had to fall back on the baseless charges of secret service funds to explain the backing won from leading United States journals. A draft treaty was drawn up by Brown and Secretary Fish, and submitted to the Senate for an opinion, but that elusive body adjourned unexpectedly early without taking action ; in the following session the proposal failed to secure assent, preoccupation with the currency question combining with the staple anti-reciprocity forces to prevent ratification.

The proposed treaty was as loudly discussed in Canada as the Washington Treaty ; it met strong criticism not only in partisan quarters but from important commercial and manufacturing interests. Yet, looking back to-day, one must consider the Brown-Fish project the most advantageous put forward by responsible statesmen in the long line of reciprocity negotiations. Fisheries and natural products were settled as in 1854 ; the coasting trade of the lakes was thrown open ; the reciprocity of river and canal navigation arranged by the Treaty of Washington was continued, and Canada agreed to enlarge her canals—a measure at least as much in her own behoof as in that of the United States, and bitterly attacked by New York State forwarding interests. An important list of manufactured goods was to be free, chiefly textiles and manufactures of iron and leather ; the reduction of duties was to be spread over three years, according to a sliding scale agreed upon. Probably some temporary difficulty would have been met by Canadian manufacturers in competing in some of the commodities covered, especially those involving heavy capital expenditure ; but given a twenty-four years' assurance of the United States market, given the continuance of Canada's lower duties on raw

materials, and there is not a shadow of doubt that British capital would have poured in to seize the unique opportunity offered by this combination of low cost of production and access to the markets of the whole continent, and would have made Canada the manufacturing centre of America. There was no discrimination against British goods, no pooling of revenues, no sacrifice of national control of fiscal policy. The valid objections to the treaty—besides the fatal objection that it was too fair to Canada to find favour with the United States Senate—were the loss of revenue involved, specially serious in the lean years just beginning, and the administrative difficulties involved in the free admission into Canada of treaty commodities from the United Kingdom and the most favoured nations; neither difficulty need have proved insurmountable. The treaty failing, the fisheries arbitration was resumed, and, thanks to the insistence of the Mackenzie government in appointing an able Canadian representative, Sir A. T. Galt, Canada received an award far beyond her earlier expectations.

The 'sober second thought' of the United States was slow in coming. Many reasons combined to make all Canada's proposals come to nothing. There was the indifference of a preoccupied, prosperous, self-satisfied and provincial people. There was the strength of protectionist feeling, the hostility of special interests, lumber or shipping or mining, and the hostility of protectionists in general, opposed to any breach in the tariff wall, and especially one made at the expense of the farmers, who must at all costs be kept in the belief that they too shared in the benefits of 'protection all round.' There was the doubtless genuine feeling that any bargain Canada proposed was sure to be one-sided; it is curious to observe the persistent belief in each of the countries concerned that its case was rooted in immutable justice, but that its negotiators were as babes in the hands of the wily and unscrupulous representatives from across the border. Political factors were not wanting—the traditional animosity against Great Britain, and the delusion that denial of a market would starve the Dominion into seeking political union; the belief that annexation was Canada's manifest destiny was strongly held by men of the prominence of Sumner

and Sherman, and had sometimes met half-assent from British cabinets of pre-imperialist days. Sentiment there was for a *zollverein*, but for any less complete measure of reciprocity little as yet except in some commercial centres west and north, and accordingly all negotiations came to nothing.

EARLY TARIFF POLICY

Meantime the tariff policy of Canada, of which the question of reciprocal relations with the United States was but one special phase, was undergoing a marked and significant change, a change in its turn inseparably connected with the trend of trade, the ups and downs of the commercial barometer. The Dominion began its fiscal career under the slightly modified tariff of the old Province of Canada. After a period of low revenue tariffs, William Cayley and Galt had introduced a distinctly protective element into the Canadian budgets of 1858 and 1859, the prevailing rate adopted in the latter year reaching the unprecedented level of twenty per cent. While the authors of these changes were careful to repudiate the policy of out and out protection, they declared their satisfaction if duties absolutely necessary to meet revenue needs should incidentally encourage home industry. This policy, known in a phrase of Hincks as 'the policy of incidental protection,' is well summarized in Galt's budget speech of 1866: 'The policy of this country has been to make every article of natural production imported into the province free, and for revenue purposes to impose duties on all those manufactured articles which it was thought were able to bear the burden, affording at the same time an incidental amount of protection to our own manufacturers.' For seven years, barring some minor freer trade variations in 1862, this tariff policy prevailed without substantial change. Then, on the eve of Confederation, it fell to the lot of Galt to introduce the tariff which was to form the basis of the Dominion's policy, and which was destined to endure in its main features until 1879.

With his accustomed clearness, Galt, in introducing the

budget of 1866, laid down the principles which had guided his action ; the general endorsement of contemporary assent and later acceptance makes it important to note what those principles were. Canada, Galt declared, had come to the parting of the ways ; she must choose between the American system of high protection and the English and European system of revenue duties. If the Canadians were to copy in every respect the commercial policy of the United States, they might as well join political forces also ; but if, as all hoped and determined, two separate and distinct nations were to be built up on this continent, it would be well to adopt distinct fiscal systems. Cut down duties on manufactured goods—unfortunately they could not at present be entirely abolished—make Canada a cheap country to live in and a cheap country to produce in, give Canadian manufacturers low taxes, low labour cost and cheap raw material, and instead of being given control of the single and limited market of Canada, they would be enabled to compete on favourable terms in the markets of the world. Immigrants and capital would flow to Canada rather than to the United States. Further, such a reduction of duties would clear the path to Confederation by assimilating the tariff to the lower rates of the Maritime Provinces, and would be more consistent with the relations and obligations of Canada to the mother country.

In this tariff of 1866, adopted next year in substance as the first tariff of the Dominion, the rate of duties on the great bulk of manufactured articles was reduced from twenty and twenty-five to fifteen per cent. The duty on tea and the customs and excise duties on spirits were increased. Manufactures were encouraged by reductions in duty on semi-manufactured iron, and by the addition of certain manufacturers' materials to the already long free list. With some inconsistency, farm animals, butter and cheese, lard and tallow, wheat flour and coarse grains, were subjected to a low duty, mainly for the first time, as a measure of retaliation against the United States, and authority was taken by the government, though not utilized for two years, to impose an export duty on sawed logs to offset the effect of the imposition by

the United States of higher duties on lumber than on logs—an expedient fertile in precedent. On the whole, in spite of the freer trade tendencies of this revision, the tariff remained distinctly protectionist in effect, though, as compared with later developments, the range of articles covered was limited, the schedules simple, and the rates low.

THE EBB AND FLOW OF PROSPERITY

Later tariff developments, it has been noted, turned upon fluctuations in the country's commercial prosperity. The period from 1867 to 1879 nearly corresponds with one complete trade cycle, from prosperity through depression to prosperity once more. It had come to be expected, with half-fatalistic resignation—and the expectation doubtless helped to bring the prophesying true—that the commercial crises which had disturbed the world in 1816, 1825, 1837, 1847 and 1857, would continue to develop at ten-year intervals. Canada, for all its isolation and its far from complex trade and credit structure, could not entirely escape the effect of these world-shaking movements.

The first two years of Confederation were years in which industry and commerce marked time. In England the effect of the Overend-Gurney panic of 1866, following reckless expansion of the newly enfranchised joint-stock company, was still felt. In the United States there had come a brief halt after the outburst of optimism and enterprise which marked the close of the war. In the Dominion itself time was required for readjustment after the abrogation of reciprocity. But the depression was not serious or prolonged, and soon there began the hectic prosperity of the years 1869-73, years which witnessed in the United States practically a doubling of the railway mileage, in the United Kingdom a doubling of the price of iron and coal, thanks to America's and war-hampered Europe's abnormal demands, and in Germany, after the close of the war and the receipt of the French milliards, an outburst of speculative activity unparalleled in its history. In this growth Canada had its modest share. The chartered banks, strengthened by the

elimination of the Upper Canada and the Commercial, grew in number and activity; nineteen new banks began business between Confederation and 1874; the total capital grew from thirty millions in 1868 to sixty-six in 1876—a total, it is noteworthy, not again attained till a quarter-century had passed—and discounts increased in even greater proportion. Railway mileage in operation doubled in the same period; exports were more than half as great again, and imports advanced even more rapidly. Government revenues followed suit, increasing from thirteen millions to twenty-four in 1874. Much of the increase in values was nominal, due to rise of prices, but much was due to increased volume of trade.

This prosperity was the more welcome because of the fears which had been felt on all sides of the depressing effect of the abrogation of the reciprocity treaty. Canadian and United States observers alike were astonished at the success with which the Dominion recovered from the sudden blow. The success was due to two factors: the finding of new markets, interprovincial and British, and the retention in great part of the United States market in spite of tariff bars. In seven years exports to Great Britain doubled, the most notable increase being in agricultural, animal and forest products; the rapid development of the cheese industry, the extension of steamship facilities, the coincidence of bad harvests in the United Kingdom and good harvests in Canada, the sharp rise in prices, all tended to swell the volume and value of the transatlantic trade. In trade with the United States Nova Scotia was the hardest hit, her exports of coal and fish being greatly reduced, though the practice of selling the catch to New England fishing-boats, later to be entered as American-caught, lessened the blow. Wool suffered from rising duties and falling demand now that uniforms were no more required, and the cotton-fields of the South were again under the hoe. In lumber and barley, in which Canada for the time had a quasi-monopoly in the markets of the eastern states, the exports rapidly increased. The trade in wheat and flour had been, in the phrase of an official United States investigator, 'a commerce of convenience rather than of necessity,' both countries producing a surplus: the Maritime Provinces

had imported wheat and flour from the eastern states, sometimes of Ontario origin ; after the repeal this market was largely supplied direct by Ontario, though at some increase of price. Oats and peas and oat-fed stock Canada continued to export ; Indian corn and corn-fed hogs she continued to import. In the five years after abrogation the United States imported goods of practically the same value as in the five years before abrogation. The fact is that popular opinion has exaggerated the extent to which the absorption of the United States in the war struggle created conditions abnormally favourable for Canadian producers during the treaty's operation. The westward rush of immigrants to the free homesteads offered on the prairie, and the invention of labour-saving machinery, largely filled the gap made by the absence of the hundreds of thousands of producers at the front.¹ And though supply increased with the return of the soldier to the plough, demand out-footed it ; expansion was rapid on all sides ; the southern states were in the market once more ; the trade-disturbing fluctuations in the premium on gold had ended. Channels of trade had been worn deep in thirteen years of free intercourse, and tariff walls could not entirely check the current.

The gleam of prosperity was brief. Over-speculation brought its speedy nemesis. The crash was worst in the United States ; in September 1873 there came a series of colossal failures of banks heavily involved with expanding railroads ; bankruptcy succeeded bankruptcy—five thousand the first year, ten thousand in 1878 ; industrial depression followed financial panic ; demand shrivelled far below the output of the new establishments into which domestic and foreign capital had been poured ; factories closed by the thousand, and workmen were thrown out of employment literally by the million. Germany entered the worst crisis of its history hitherto, and in Austria the crash on the Bourse preceded the United States panic. France, with its sounder credit basis, suffered less, but Great Britain

¹ See in Fite's *Industrial and Social Conditions in the North during the Civil War*, a graphic picture of the remarkable prosperity and even increase in luxury in the North in this period.

experienced a paralysing reaction after the years of fevered activity.

Canada could not escape the maelstrom. Her shipping ceased to find employment in the foreign carrying trade, and returned to cut into the home coasting trade or lie idle at the wharves of Quebec or Halifax; the lumber industry, second only in magnitude to the agricultural industry, and especially important in the ready money it circulated and the wide employment it afforded, stimulated as it had been into rapid expansion by high prices and big profits, found the eastern United States market suddenly fall to little with the general cessation of building, and found that little perforce shared with increasingly aggressive competitors from Michigan. The malady spread, and soon production, trade, finance, exports and imports all approached a dead level. Then began six years of stagnation and hope deferred, making the heart sick. In Canada there was little of the financial panic witnessed in the United States, little too of the widespread shutting down of mill and factory. It was a time of forced economies, of vanished profits; what actual failures there were, and they were many and great, were mainly in commercial rather than in industrial circles. It was, in fact, very largely a traders' depression. There was no question that one of the foremost factors in the trouble was the excessive increase in numbers and activity of middlemen in Canada. Reckless increase of importations, especially of dry goods, together with the growth of banks competing for discounts, led to the multiplication of small retailers without capital or experience, and the granting of dangerously long credit: a commercial agency reported in 1869, perhaps with exaggeration, that there were more places selling dry goods in the town of Chatham, Ontario (population under six thousand) than in the city of Detroit. The consequence is seen in the list of failures in these years of depression, failures in which dry goods and general merchants, hardware dealers, lumber merchants and grocers led the van. This over-importation, for which English manufacturers and Canadian wholesalers were largely responsible, was supplemented after the depression had begun by the dumping of the surplus

products of American manufacturers, or rather American jobbers. Prices fell much more rapidly in the United States than in Great Britain, and this general fall, together with the occasional utilization of the Canadian market as a 'slaughter market,' in the phrase of the day, to avert still further fall at home, led to large importations at prices against which Canadian manufacturers found it difficult to compete. It is significant, however, that the most serious failures among the manufacturers were in the heavily protected boot and shoe industry; domestic over-production in highly protected industries was at least as marked as over-importation in industries with lower protection.

THE RISE OF THE NATIONAL POLICY

Depression brought the fiscal issue to a head. For a few years prosperity had silenced tariff discussion; the policy of cheap living, cheap production, and so-called incidental protection held the field. Then the lean years came, and open protection had its day. With the political bearings of the tariff controversy we are not here directly concerned—the shifting and sail-trimming of politicians, the uncertainty as to which party would first hoist the banner of unqualified protection, the gradual accentuation of opinion as differences of degree hardened into differences of kind. There was much haziness in the public mind, much uncertainty as to future trade relations with the United States; much unwillingness to abandon the comfortable ostrich compromise of 'incidental protection'; the political parties did but reflect public hesitancy. It is more pertinent to review the forces making for change in public opinion.

These forces were both political and economic, both individual and national; there was the blending, common to all popular movements, of narrow advocacy of self-interest and broad zeal for the country's welfare. The manufacturing interests, especially of Ontario, were organized and aggressive. Each manufacturer saw clearly the gain of a closed market and only dimly the indirect loss of dearer raw materials and higher cost of living, or, if seeing the loss clearly, hoped that

a broad view of national interest would keep his raw material free.¹ The Dominion Grange, then an important though hardly representative farmers' organization, took the same view of the desirability of controlling the local market.

Example was powerful. Britain, it is true, still clung to free trade, in fact, had only in 1860 swept away the last vestiges of effective protection, but fair trade criticism was growing. Europe had halted in following Britain's lead. The United States—till the crash came in 1873 and after—was prosperous beyond all rivals, extending its factories, filling its western lands, drawing capital and endless streams of immigrants from Europe and from Canada itself; and the United States was protectionist beyond all rivals. Popular logic questioned little whether American prosperity was due to protection or existed in spite of it, or whether the thinly settled and as yet disjointed Dominion could bear commercial isolation as well as the vast, compact, populous free trade area of the republic. Canada itself, it was urged, with equal disregard of modifying conditions, had never prospered as she did under the Galt-Cayley tariff, from 1858 to 1866, the old twenty per cent tariff of blessed memory under whose fostering shelter the boot and shoe industry and the agricultural-implement industry had grown to strength and cheapness, the tariff which had created vested interests, protesting against neglect.

The home market must be preserved. Conviction grew of its importance and of its peril. Granted that the cheap living and the cheap production of free trade were necessary for success in foreign markets, what foreign markets were to

¹ W. W. Ogilvie, protectionist: 'I am a miller, and wheat is my raw material. . . . I am an out-and-out protectionist, but I cannot stand by and have my raw material protected, for that is carrying the principle too far.'—*Proceedings, Dominion Board of Trade, 1876*, p. 173.

W. J. Stairs, free trader: 'If there is one thing above another in a civilized country which ought to be free, it is fuel and breadstuffs.' (Interruption: 'Why not sugar?')

Stairs: 'The gentleman mistakes my argument on sugar. Mind, I never used the word 'protection.' Surely you can have a fostering care over an industry without protection. (Uproarious laughter.) . . . I take the wholesome middle course . . . which I particularly urge, to favour and foster the refining of sugar . . . which we began manufacturing seven years ago.'—*Ibid.*, 1877, p. 120.

be had ? The United States, which proximity and similarity of tastes and conditions made the natural outlet, was hopelessly shut out ; Britain had the advantage of a long start, cheap labour and cheap money ; other markets were inaccessible, what with tariff walls and what with distance and lack of connections. Instead of seeking this shadow, the solid substance of the home market, familiar, convenient, certain, should be secured. If the Canadian manufacturer could not maintain his hold on his own market, what chance did he have of winning others ? And his hold on this market, it was urged, was in danger. American competition grew steadily more aggressive and more effective. The artificial protection, given the Canadian producer by the war diversions and the war taxes and green-back vagaries of his southern rival, was ending. The scale of production and the degree of specialization grew rapidly in the United States, and as they grew costs fell. Then came the panic and depression of 1873, and the rising tide of American competition became a flood ; Canada was made a sacrifice market, a slaughter market in the fashionable phrases of the day ; American houses dumped their surplus into Canada, consigning goods to be auctioned at any price, sending travellers to follow Canadian drummers and cut any rate offered. Some Canadian producers alleged that the slaughtering was part of a deep-laid plot to crush their rising ambitions, but the majority found in it but the natural result of flooded markets and tight money, and, when possible, Toronto made Buffalo in its turn a slaughter market. Naturally it was against American manufacturers and jobbers that complaint was chiefly directed, but English firms came in for their share. The chief cause of the depression, according to one of the foremost authorities in the wholesale trade, lay in the recklessness with which English firms consigned their wares, especially dry goods, to Canadian merchants of weak standing on absurdly long terms of credit, with the inevitable result that bankrupt stocks settled for at ten or twenty cents on the dollar flooded the market ; American manufacturers were selling as nearly as possible on a cash basis and were not cutting prices below the domestic level, though irresponsible jobbers in both countries might tem-

porarily demoralize both prices and terms.¹ Nor were charges of malice lacking: 'The Manager of the Canada Screw Company says they have to compete with the English manufacturers, where the business is virtually controlled by Nettlefold and Chamberlain, of Birmingham, who at times since the organization of the Canada Screw Company have sold screws in the Dominion at lower prices than for other markets, for the avowed purpose of crippling them.'² Whatever the motive, whatever the source of this unfair competition, the effect, it was held, was plain in universal depression and epidemic bankruptcy. Only a higher tariff could open the factories and close the soup-kitchens.

Granted that it was desirable to build up in Canada a well-rounded manufacturing interest, and granted that the United States market could not be secured on equal terms, how was the Canadian manufacturer to hold his own against British and especially against United States competition? Could he hold his own without protection? He had the material, if lessening, advantage over his United States competitor, of cheaper labour, except for a few skilled posts, lower taxes, and, as a rule, cheaper raw material. His great disadvantage lay in the lack of a large and secure market such as the United States producer enjoyed, permitting the economies of large scale production and specialization. It was true, as the protectionist with his visualizing of a foreign country as a single personality usually forgot, that for the larger market there were proportionately more competitors, but there was always at least the possibility of greater scale and greater specializing. If the Canadian manufacturer could have secured a foreign outlet, he might have expanded his operations; and early in the seventies we find Hamilton manufacturers of sewing-machines selling two-thirds of their output in Europe, and Oshawa makers of farm tools shipping forty thousand dollars' worth a year of their wares to England; still, this trade needed special cultivation, and for the time was exceptional. There was therefore much force in the

¹ John Macdonald, Toronto, *Hansard*, 1876, p. 334.

² *Report of Select Committee on Manufacturing Interests, Appendix to Journals, House of Commons, 1874, No. 3, p. 14.*

contention that, barred from the United States markets by the tariffs and from foreign markets by other handicaps, the Canadian manufacturer in some lines could not successfully stand competition in his own market without protection. But it did not follow, as many concluded, that he could therefore compete if given protection. It might well be that the protection given to offset the advantages enjoyed by United States manufacturers of certain products would enable Canadian manufacturers in the same industry to compete, but would at the same time cripple Canadian manufacturers for whom these products were raw material. It might be that it was difficult for Canadian manufacturers to compete without protection ; but it might also be that it would be difficult to compete with protection. Further, in abnormal times no mere two and a half or twelve and a half per cent tariff increase would prevent slaughtering. The truth was that, so long as the United States kept its own market barred and stood prepared to flood its neighbour's market, Canada was between the devil and the deep sea. But a choice had to be made, and in 1878 the people of Canada chose protection.

But suppose the United States market open on equal terms ? That, the strongest protectionist admitted, would be better than a protected home market. The leading Canadian advocate of protection in the early stages of the agitation, Isaac Buchanan, was equally in favour of absolute reciprocal free trade with the United States. The manufacturers who appeared before the House of Commons Committee on Manufacturing Interests in 1874 had come almost without exception to complain of American or English competition and to demand higher protection ; yet without exception these picked witnesses agreed that admission to the United States market was the sovereign cure for all their ills, an opportunity of which they were prepared to make the most. Representative manufacturers of machinery and tools, agricultural implements, hardware, cottons, woollens, clothing, leather, boots and shoes, lumber, glass, musical instruments, one and all declared they would hold up both hands for competition on even terms with their southern

rivals. Given this desire, it was at least arguable that to retaliate in kind would bring the United States to bargaining mood more quickly than to continue to take it lying down. Modern experience of tariff wars, with the heightening of national animosities, the hardening of accidental opposition into immutable principles of honour, and the creation of vested interests they involve, hardly bears out the argument, but it is not without plausibility and occasional force. It had weight with the Canadian electorate in 1878, when 'reciprocity of trade or reciprocity of tariffs' was the campaign cry of the victorious party. After the election, as the impossibility of opening the United States market either by sunny or by stormy ways grew evident, and present certainties loomed up larger, the Canadian manufacturer ceased to hope for even reciprocal removal of tariffs.

The National Policy promised not only to preserve the home market by protection and to open the United States market by retaliation, but to provide a revenue adequate for the country's needs. The continued deficits of the Cartwright régime were a strong popular argument against the existing tariff policy. If revenues fell, it was natural for a public brought up to believe in the possibility of incidental protection, a tariff yielding both revenue and protection, to urge that the deficit be met, and the needed further shelter against competition be provided, by one and the same expedient, an increase of duties. It was obvious, however, that if the increased duties barred out the foreign goods, the sources of revenue would dry up. The free traders poured scorn on the argument that a duty could be at once protective and revenue-yielding, the protectionists pointed to the hard concrete fact of a tariff which did achieve this impossibility. The fact was, of course, that the tariff was not of a piece; some schedules were as purely revenue-bearing as any in the customs tariff of the United Kingdom; others were as purely protective as the out-and-out prohibitions contained in the tariff of France. Where there was no endeavour to produce the commodity in the country, as in the case of tea and coffee, the duty yielded the full measure of revenue; where the home producers were able to supply the whole

market, as was practically the case with boots and shoes, the duty was solely protective. The duty on cottons was revenue-bearing so far as prints or the finer fabrics which were not produced in Canada were concerned, protective in the case of grey cottons, in which the home producer had driven the English manufacturer out of the market. Where goods were produced in Canada, but not in quantities sufficient to supply the market, the tariff might temporarily yield revenue and aid the home manufacturer by raising the price level by all or part of the duty. A return of importations to the normal level or a substitution of specific for *ad valorem* duties would have enabled the Galt-Cartwright tariff to produce a surplus, but even on the existing level of importations the revenue possibilities of new or higher duties had not been exhausted.

The demand for a higher tariff, finally, was not based solely on economic grounds; it professed to be a National Policy. No small measure of the strength of protection in Canada as elsewhere has lain in the readier appeal it makes to patriotism. Patriotism is ordinarily both positive and negative; it is composed in varying parts of love of one's own country and dislike of other lands. On the negative side protection made strong appeal to the anti-American feeling inherited from United Empire Loyalist days, and fostered by the repeated rejection of Canada's trade overtures. It scored equally on the positive side. It promised national self-sufficiency. It promised an industrial life varied enough to find places for all the boys who otherwise would be lost—absorbed by the United States. It promised to develop trade between the provinces, to create an east and west traffic fed by Nova Scotia's coal and Ontario's flour, and to cement national unity by the common interests thus established.

The low-tariff advocate, of course, could promise prosperity as freely, but it was not an exclusive prosperity. He was not, however, without political prejudice on his side; he made fervent appeals to imperialist as distinguished from nationalist sentiment, urging the impolicy and the ingratitude of higher duties on British goods. To meet this plea the protectionists sometimes trimmed by suggesting a preference on British imports, but more usually they asserted that the

Empire began at home, or if it did not, 'so much the worse for British connection.' It is significant that the Canada First movement was strongly tinged with protectionism. In the clash of ideals nationalism proved stronger than imperialism.

It has been noted that in the fiscal struggle waged in this period, what were at first mere differences of degree hardened in the stress of controversy into differences of kind. All responsible parties were in favour of maintaining at least the existing measure of protection. There was much free trade sentiment afloat, and the popularity of the confused doctrine of incidental protection was largely due to the comforting ease with which it enabled theoretical free-traders to accept a considerable degree of practical protection as a mere by-product of revenue-raising; there was, however, no party ready to put in force a free trade policy. The concrete proposals of opposing parties differed comparatively little. In discussion, however, the advocates of seventeen and a half per cent and the advocates of twenty per cent frequently took up positions poles apart.

The chief stages in the transition from moderate and incidental protection to the later policy may be briefly reviewed. Early in Confederation there were repeated tentative gropings towards the National Policy, to use a phrase which Rose devised, Hincks stamped with his approval, and Macdonald made current. These hesitating beginnings took the form of duties not on manufactured but on natural products, with the primary purpose of building up inter-provincial trade or retaliating against the United States. In the first Dominion tariff a ten per cent tax on breadstuffs was imposed, but Maritime Province opposition compelled its removal a year later. On April 7, 1870, Hincks announced the government's intention to impose duties of fifty cents a ton on coal and coke, four cents a bushel on wheat, three cents on coarse grains, twenty-five cents a barrel on wheat and rye flour, and fifteen cents on other flour or meal, and five cents a bushel on salt. On April 26, at three o'clock, under consumers' pressure, he agreed not to impose these duties; at eight o'clock, under coal-miners' pressure, he decided to retain them. This instalment of the National Policy lasted a year,

and then its unpopularity in every province brought about its repeal; in March 1871, during Sir John Macdonald's absence in Washington, an opposition motion, with the help of twenty-seven ministerialists, repealed the duty on coal, coke, wheat and flour, and a ministerial motion repealed the other duties; in April an amendment urging retention of the duties for use in the pending negotiations was overwhelmingly defeated—Hincks, Cartier, Tupper, Tilley and all the other ministers present voting it down.

In his first budget in 1874 Sir Richard Cartwright found himself faced by a threatened deficit, owing to the rapid fall in imports. Remedy was sought in unmistakably revenue duties on tea and coffee, tobacco, wines and spirits, in twenty per cent duties on luxuries such as silks, satins and silver-plated ware, and in the increase of the general fifteen per cent rate to seventeen and a half. Two years later the same emergency arose. Much pressure was brought to bear on Cartwright to take the other bite of the cherry, and raise the seventeen and a half per cent schedules to twenty. It was argued with reason that experience had shown that fifteen per cent was not the revenue-yielding limit, and that a further increase might result in filling the treasury rather than in blocking importation. The general expectation was that the government would consent. Ministerial newspapers foreshadowed an increase;¹ opposition leaders prepared to denounce the government in the appropriate vague terms;²

¹ 'The impression generally prevails that in the financial statement to be made to-day the seventeen and a half per cent duty will be raised to twenty and probably some specific duty imposed on a few other articles. The bulk of the Maritime members are strongly opposed to any increase in the duty on manufactured goods, and if the increase were to be made only as a concession to protectionist demands, they, being principally consumers and not producers, would have some cause to complain; but if the interests of the revenue alone are consulted in the matter the whole Dominion has to share the burden.'—Ottawa correspondence of the *Toronto Globe*, February 25, 1876.

² 'I came, I confess it, to hear the Finance Minister's speech, impressed with the idea that he was going to bring down an alteration of the tariff . . . which would operate, incidentally at all events, in protection of our home industries. . . . When, therefore, the honourable gentleman took his seat at the end of his singularly able but at the same time singularly unsatisfactory speech, I desired, taken by surprise as I was, time to consider what course we should take under the circumstances.'—Sir John Macdonald, *Hansard*, 1876, February 29, pp. 338-9.

Maritime Province deputations threatened to withdraw support. It is now known that Sir Richard pressed hard for an increase, but was overborne by Mackenzie;¹ the minister of Finance threatened to resign, but finally the members of the cabinet composed their differences and presented a united front to the public, denying most explicitly, but with careful choice of words, that they had entertained any thought of adopting higher 'protection'; of course the increase, if made, would have been 'mainly for revenue.'² The minister of Finance trusted that the revival of trade to a normal level would fill the treasury without the imposition of further taxes. The trust was misplaced, the depression grew deeper, the treasury emptier, and the people turned to other fiscal doctors.

IV

1879-1896: THE DAYS OF TRIAL

THE REVIVAL OF PROSPERITY

THE seven lean years of depression drew to a close in 1879. For this mercy fervent protectionists returned thanks to the National Policy. Undoubtedly the stimulus given to investment in favoured industries was a notable factor in the revival of confidence and energy. More important, however, were the world-wide improvement of demand, the restoration of the United States market for Canada's lumber, the coincidence of good harvests in Canada with the worst harvests in Britain since the century began. Immigration was spreading its fertilizing flood over east and west. Railroad construction was again expanding, with widely ramifying stimulus. The prairie West was having its first boom. Another brief era of prosperity had dawned.

¹ Sir Richard Cartwright, *Reminiscences*, Interview 25.

² 'I have not the slightest doubt that the honourable gentleman would have been extremely delighted to have seen us floundering in the depths of the protectionist bog from which he has emerged. I tell honourable gentlemen of the opposition once for all that, although the government gave very serious consideration to this question, and took great pains to decide what was their duty in this crisis, they did not at any time entertain the idea of levying what is called a protective tariff.'—Sir Richard Cartwright, *Hansard*, 1876, March 10, p. 577.

IMMIGRATION, LAND AND RAILROAD POLICY

Renewed prosperity was both cause and effect of increased immigration. During this period the Dominion government continued an aggressive campaign across the seas, though in the later years its activities were stereotyped in routine and their effectiveness diminished. More reliance was placed on advertisement, on tours and reports of British tenant farmers brought to spy out the land, less on money aids. Under protest from eastern labour circles, congested by immigrants who drifted from farm to city, the Dominion government in 1885 ceased to provide free inland transportation for farm labourers and domestic servants, and Ontario discontinued its free passes; three years later assisted ocean passages were also abandoned. In 1890 the practice was revived, but amended to ensure settlement on the land: a bonus of ten dollars was given to each head of a family, and five to each member over twelve, on proof of settlement in Canada west of the Great Lakes. Repatriation activities were continued in the United States, but without notable results.

Free land was still the loadstone for the immigrant. No important changes in policy were made by the eastern provinces; no extensive settlement of their forested crown lands could be expected while the treeless prairie, ready for the plough, was to be had for the asking. In the overshadowing West the policy of the Dominion fluctuated between the desire for rapid settlement and the desire to build the Pacific railroad without entailing a burden on the people. In 1879 it was resolved to set aside 100,000,000 acres to be sold by commissioners at not less than two dollars an acre, the proceeds constituting the railway building fund. In July of that year the land for one hundred and ten miles on each side of the proposed line was divided into belts five, fifteen, twenty, twenty and fifty miles wide; the five-mile belt was held for sale, but in each of the other belts eight sections in every township were set aside in eighty-acre lots for homesteads, or for pre-emption at prices varying from one to two and a half dollars

an acre. Criticism led to the framing of more favourable terms ; in the following October all five belts were opened to homesteads and pre-emptions in the prescribed townships, and the size of the holding was increased to one hundred and sixty acres.

After the contract was made with the Canadian Pacific syndicate, new regulations were required. It was still thought that the plan of building the road out of a land endowment of one hundred million acres was feasible. Twenty-five millions had been granted the syndicate ; the sale of the remaining seventy-five millions would reimburse the state for its cash subsidies and direct expenditure on construction. 'Beyond a possibility of doubt,' declared Sir John Macdonald in 1882, 'not a farthing in money will have to be paid by the people of Canada.'¹ In a belt twenty-four miles on each side of the Canadian Pacific, alternate sections were to be reserved for the railway grant and for homesteaders ; elsewhere the even-numbered sections were open to homestead and pre-emption, and the odd-numbered were held for sale. Special arrangements were made for sale of this latter land to colonization companies, which were to be permitted to buy land at one dollar an acre, conditionally on effecting a certain degree of settlement. These companies, it was thought, would play the part which the land grant railroads of the United States had played in the rapid and energetic opening up of the country. Their promoters, however, were more eager to reap the hoped-for increase in land values from the activity of others than to undertake the labour of promoting settlement. They promised a ready road to fortune ; every town of importance in Ontario had its colonization company, and seven million acres of land were applied for in a few months. When the difficulty of fulfilling the rigorous duties of settlement came to be appreciated, the speculative fever abated, and one by one the companies lapsed into oblivion. Gradually it came to be felt that the rapid peopling of the country was more important than the millions for which the land might sell. The odd-numbered sections were granted lavishly to colonization railroads ; by 1896 the odd sections in almost

¹ *Hansard*, April 21, 1882.

the whole of the surveyed area had passed into the hands of railway companies. Meantime the privilege given homesteaders of pre-empting an adjoining quarter-section was withdrawn, after repeated warnings and postponings, with the close of 1889. It was felt that the pre-emption system involved an undue scattering of settlement, with consequent difficulties in building roads, forming schools, and in all social intercourse, and that with the odd-numbered sections for sale by railway or government it was unnecessary to reserve still further lands for purchase. With the abolition of pre-emptions there departed the last hope of paying for the Canadian Pacific out of land revenue.

Toward the close of the seventies the completion of railroad connection to Manitoba through St Paul had stimulated the western trend. The plagues of grasshoppers, which had discouraged the early settlers and deterred others, ceased. Then came the active construction of the Canadian Pacific in the early eighties, and the West experienced its first boom. The connection between Lake Superior and Winnipeg was not completed until 1883, but the St Paul connection afforded an eastward outlet, and meantime the rails were being pushed westward across the plains at a speed unprecedented in American experience, two and a half miles a day being the record of 1882. The energy proved contagious. Eastern Canada, and especially Ontario, was seized with the Manitoba fever; farmers and farmers' sons trekked westward by the tens of thousands; those who remained behind bought farm lands or lots in Winnipeg or Brandon, or organized colonization companies. Agricultural machinery manufacturers in Ontario strained every nerve to keep up with the demand. In 1882, when the rush reached its height, sixty thousand settlers, or rather tourists, poured in, and nearly three million acres of land were entered by homesteading, pre-emption or sale. Then came killing frosts, nipping the budding boom; the majority of the homesteads and pre-emptions taken up were abandoned, choice corner lots relapsed into prairie, tens of thousands of the temporary settlers drifted east or south, and eastern speculators went into bankruptcy and mourning. Frost and drought, rail-

way monopoly and high-priced farm machinery, the half-breed rebellion and the counter-attractions of Minnesota and Dakota deterred settlement throughout the eighties. The number of homestead entries made in 1882 was not again reached until 1901. Between 1881 and 1891 the population of Manitoba and the North-West Territories grew from 180,000 to 250,000, while Dakota alone grew from 135,000 to 510,000.

EXODUS AND LAMENTATIONS

Meantime Canada was continuing to lose on her southern border almost as rapidly as she gained on the eastern. The life-robbing drain showed little sign of slackening. During the eighties the number of natives of the United States resident in Canada increased only from 77,000 to 80,000; in practically the same period, 1880-90, the number of natives of Canada in the United States grew from 717,000 to 980,000. Canada with its four million people and its millions of vacant acres had contributed more of its sons to the building of the United States than England with its twenty-nine millions in their crowded land. In such occupations as those of actors, artists, architects, bar-tenders, clerks, dentists, doctors, engineers, nurses, cotton-mill operatives and even lumbermen, the number of native-born Canadians living in the United States approached, and in some instances exceeded, the number living in Canada itself. Counting as fairly Canadian native-born Canadians, children of two native-born Canadian parents, and half the children claiming one Canadian-born parent, there were in the United States in 1890 one and a half million Canadian people, over one-third of the home population. During the eighties, then, it was not surprising that the population grew only half a million, from 4,324,810 to 4,833,239, or an increase of 11.76 per cent as against the contemporaneous increase in the United States of 24.86 per cent. The opponents of the National Policy had many a text for their funeral orations; little wonder that during this period, in the words of a witty critic, the Scriptures according to Sir Richard Cartwright began with Exodus and ended with Lamentations.

THE NATIONAL POLICY IN FORCE

The victory of protection in the general election of 1878 was followed by an immediate and thorough-going redemption of campaign pledges. The manufacturer was given the promised increase in the duty on his finished product, offset in some cases, it is true, by higher duties on his raw material. Textiles were especially favoured. On the lines of cotton goods likely to be manufactured in Canada, duties were raised from seventeen and a half per cent to rates, specific and *ad valorem*, equivalent, on the importations of 1881, to thirty per cent. The duties on woollens, all in the seventeen and a half per cent schedule in 1878, were practically doubled; in 1881 blankets paid forty-five per cent; clothing, thirty-five; cloths, coatings, tweeds, thirty-two; dress goods and other woollens about twenty per cent. The rates on furniture and clocks went up to thirty-five per cent; on carriages, glassware, wall-paper and silks to thirty; on boots and shoes, buttons, rubber goods and woodenware to twenty-five. Sugar—the closed Redpath factory in Montreal had figured extensively in campaign debates—was given a five to ten per cent increase, and the bounty on export of refined sugar offered by certain countries in the form of excessive drawbacks was to be considered in determining the basis for levying duties. Pig-iron, previously free, was made to pay two dollars a ton; the duty on iron billets, bars and rods was increased from five to ten and seventeen and a half per cent, while manufactured iron and steel products and machinery were given twenty-five to thirty-five per cent protection. The rate on goods not otherwise provided for was increased from seventeen and a half to twenty per cent, but the bulk of the import commodities in the old seventeen and a half per cent schedule were given special and higher rates. A marked feature of the new tariff was the substitution of specific or compound duties for the *ad valorem* rates of the old tariff, a measure designed to guard against such a falling-off in the revenue as had resulted from the decrease in values in the years of depression, and, it may be, to conceal the

extent of the increase from the lay public. The farmer was remembered by the imposing of duties on wheat, barley, Indian corn and other breadstuffs, and doubling of the duty on live-stock. Inter-provincial trade was promoted by a duty of fifty cents a ton on coal, both bituminous and anthracite, to give Nova Scotia an advantage to compensate for the higher prices paid Ontario for flour; New Brunswick was allowed to pay both bills without amends.

Finally, the National Policy was to provide ample revenues, to change deficit into surplus. In its early years it scored unquestioned success in this aim. In the first year of its operation, it is true, with imports falling to still lower levels, it failed to make ends meet. The next year told a different tale. The imports entered for consumption in the fiscal years 1878 and 1881, ending June 30, were approximately of the value of \$91,000,000 in each case. In the former year the Galt-Cartwright tariff yielded \$12,800,000 customs revenue on this amount; in the latter year, the Tilley tariff brought in \$18,500,000. The increased revenue came in part from the new duties imposed on coal, Indian corn, flour, pig-iron; in part from increased importations of goods on which the duties had not been materially raised, such as tea and jewellery; in part from the heightening of duties, as on blankets, flannels and wall-paper. In some cases, notably with the last three commodities cited, the higher duties lessened importations, but not to the degree to which the rates had been increased, so that the net result was an increase of revenue; in other cases, such as boots and shoes, stoves and furniture, the new duties lessened both the already small importations and the revenue received. Criticism might be offered as to the unfair incidence of the duties or the crippling effect of taxes on raw materials such as coal or pig-iron, but there was no doubt that, as an instrument for extracting taxes from the people, the National Policy tariff improved on its predecessors.

There is no finality in tariffs. Every succeeding session saw amendments made, but few important changes were introduced during the eighties. The general tendency of the amendments was still upward, cottons, sugar, agricultural

implements and musical instruments being favoured in turn. A striking instance of class legislation on behalf of the farmers was witnessed in 1886, when the manufacture or sale of oleomargarine was prohibited. Excess of revenue was met in 1886 by abolishing the duties on tea and coffee imported direct from the country of origin. Deficits recurred in 1885-86, due, as in the seventies, both to abnormal expenditure and to the fall of imports and revenues alike because of depression. By the beginning of the nineties, the climax in protection had been reached. Thereafter the reciprocity agitation, the sentiment in favour of a lower tariff, growing with agricultural and general depression, and the passing of the Wilson Act in the United States, forced concessions. In 1891 the duty on raw sugar was repealed, without a corresponding reduction on refined sugar, thus sacrificing revenue but retaining protection ; the result was a great increase in consumption. In 1894 came material reductions on agricultural implements, and slighter reductions and readjustments on cottons and woollens ; lumber was put on the free list for the benefit of western, and cream separators for the benefit of eastern farmers.

The most important tariff development in this period was the thorough-going extension of protection to the iron industry. The desire for a completely rounded out and self-sufficient manufacturing economy was balked as long as Canada had to depend on other countries for her supplies of iron and steel, the symbol and foundation of modern industrial development. Ardent free-lance protectionists deplored the spectacle of Canadian ore being exported across the border and the finished product reimported ; they urged that by a systematic and scientific application of protection it would be possible to repeat the success of the United States, to bring it about that Canadian ore smelted in Canadian furnaces, Canadian pig-iron puddled in Canadian furnaces, and wrought iron hammered in Canadian forges or converted into steel in Canadian furnaces, rolled and drawn and slitted in Canadian rolling-mills, and utilized for further production in foundry and factory, would supply Canadian needs. Responsible protectionists in office hesitated to

develop a few ore-mines or blast-furnaces at the risk of crippling the important and successful industries for which iron in its crude forms was the raw material. The solution adopted was the payment of bounties on these cruder products, together with the imposition of duties progressing with the degree of manufacture. In 1883 the beginning was made by offering a bounty on pig-iron of a dollar and a half a ton, reduced to one dollar in 1889, and doubled three years later. In 1894 the bounty was confined to pig-iron made from native ore; at the same time a further bounty, to run for five years, was established of two dollars a ton on puddled bars and steel billets, made from Canadian pig-iron, which in turn had been made from native ore. The Ontario government in the same year offered an additional bounty of one dollar a ton on pig-iron made in Ontario from Canadian ores. Meantime the whole iron schedule of the tariff had been extensively readjusted in 1887. The minister of Finance, Sir Charles Tupper, adopted the United States principle of proportioning the duty to the amount of labour represented in the product, and put the rates at about two-thirds of the United States level; the duty on pig-iron became four dollars; on blooms and billets, nine; on bars, thirteen; on rails, six; and there were substantial advances on structural iron, locomotives and manufactures in which iron was an important constituent. As yet no attempt was made to foster the production of steel.

COMMERCIAL RELATIONS WITH THE UNITED STATES: THE ERA OF FRICTION

The twenty years from 1878 to 1898 form an epoch in the relations between the two English-speaking democracies which is not of inspiring memory. It was a period of stress and strain, a period marked in the United States by Congressional arrogance, relieved by occasional flashes of Executive reasonableness, and in Canada by excessive looking to Washington. It was a period of petty irritations and short-sighted huckstering. As before, the matters at issue were chiefly the fisheries, transportation and the tariff, and

as before, these subjects were closely connected in diplomatic discussion, though in each case the passing of time had shifted the emphasis and altered the relations.

For a few years the prevailing prosperity and the regulation of commercial relations by the Washington Treaty prevented any noteworthy friction—unless it was the tin can war, the levying by the United States of duties on the cans containing fish which by treaty were to be free of duty, and retaliation by Canada through duties on tin cans and peach baskets.

Fisheries Disputes.—The Atlantic fisheries question was reopened in July 1883, when the United States, at the earliest possible moment, gave the required two years' notice of the abrogation of the fishery clauses of the treaty. The general public in the United States resented what they considered the absurdly excessive money award given Canada by the Halifax arbitration. The Gloucester fishermen, whom New England's influence and the gentlemen's agreement among fellow-protectionists made powerful at Washington, strongly urged abrogation. They declared that access to the Canadian inshore fisheries was now of little value: for cod they went to the deep-sea banks, carrying iced or salted bait; for mackerel, they used the purse-seine in deep water instead of 'chumming' inshore waters; herring they could buy from the provincial fishermen; certainly, whatever the benefits, they were not worth purchasing at the price of Canadian competition in the Boston fish-market—arguments doubtless of weight, though perhaps the unexpressed intention to continue using the fisheries they depreciated, as far as aggressive interpretations of treaty rights would warrant, had equal force.

With the abrogation of the Washington Treaty provisions, matters reverted for the third time to the 1818 basis. Canada for peace' sake extended the privileges of the treaty from July 1885 to the end of the fishing season, although her fish were required to pay duty from the moment the treaty expired. This concession made to international courtesy, the Dominion began a rigid, aggressive enforcement of what she considered her rights, and partly in accordance with the

traditional policy of using fishery privileges as a lever to overthrow the United States tariff wall. The dispute turned not only on the location of the three-mile limit, whether following shore windings or running parallel to a base line between bay headlands, but more especially on the question of the extent of port privileges which United States vessels might enjoy. The convention of 1818 declared that United States fishing vessels could visit Canadian ports for shelter, repairing damages, obtaining wood and water, 'but for no other purposes whatever.' Canada strictly enforced this clause, forbidding United States fishing vessels to enter port to tranship crews, purchase bait, or ship fish in bond to United States markets. The United States protested against what it termed the barbarous enforcement of antiquated rules, holding that the privileges specified in 1818 were merely explicit exceptions to the rigid British Navigation Laws then in force, laws which had since been entirely swept away, with consequent opening of ports for all privileges; Canada retorting that this extension applied only to trading vessels, and could not be claimed by fishing vessels, even if supplied by the United States government with 'touch and trade' licences.

Undoubtedly there was much that was petty and illiberal in Canada's enforcement of her claims. In her defence it should be urged that the United States had not shown itself responsive to generous treatment, that the preposterous surrender of 1783-1818 set up what was practically joint dominion in Newfoundland and Canadian territory, and that a liberal construction of such lavish terms was hardly to be expected. Whatever the merits of her case, Canada met only a moderate measure of success in both her immediate and her ulterior aim. Retaliation, as usual, bred war, not peace. In 1887 Congress passed a Retaliatory Act, empowering the president to close the ports of the United States to the vessels of any or all of the British provinces. President Cleveland, to his credit—or Secretary Bayard's credit—be it said, to balance the affair of Venezuela, stood firm for conciliation, and agreed to the appointment of a joint high commission, on which Sir Charles Tupper, Joseph Chamberlain, and the British

Ambassador at Washington represented Canada. The commission's endeavour to secure a permanent settlement by providing for a special board to determine in what waters American fishermen could fish, and suggesting free entrance into Canadian ports in return for free market for fish, was wrecked on the rock of senatorial stiff-neckedness, in spite of Cleveland's and Bayard's strong representations. Meantime a *modus vivendi* was drawn up, admitting American vessels to the port privileges desired on payment of a licence fee of a dollar and a half a ton. This temporary arrangement, renewed from year to year, has proved the most permanent settlement in the long controversy. The removal of the chief cause of friction, and the abandonment by Canada of its efforts to use its fishery resources in tariff negotiations, permitted the issue to lapse into blessed oblivion.

Meantime, the scene had shifted to the other coast, and the seal taken the place of the cod and mackerel as the chief *dramatis persona*. The endeavour of the United States to give the Alaska Commercial Company a monopoly of the seal industry, at the expense of pelagic sealers, whether Canadian, Russian, Japanese or independent Americans, brought about an interesting reversal of the positions taken in the Atlantic dispute. Now the United States stood for the utmost extension of territorial waters, Canada for restriction; now the United States cruisers seized depredators with as high a hand as the Canadian authorities had displayed. Patriots on both sides of the border-line were, of course, convinced that their country was entirely in the right on both issues. Feeling ran high for some years, but in 1892 Lord Salisbury's diplomacy resulted in an agreement to submit the points at issue to arbitration. The tribunal agreed upon, consisting of one French, one Italian and one Swedish jurist, two United States and one British and one Canadian representative, decided strongly against the sweeping claims of the United States. Regulations were suggested and adopted, however, forbidding pelagic sealing within sixty miles of the Pribyloff group, and restricting the weapons to be allowed. In spite of the new regulations, the Canadian catch for a time increased: the United States endeavoured to reopen the

question, but Canada declined to consider its proposal to suspend pelagic sealing, except upon substantial compensation for her sealers. Meantime, in 1897, a commission had assessed at half a million dollars the damages suffered by Canadian vessels from illegal seizure. All efforts to secure settlement failed, but the rapid lessening of the catch bid fair to bring the end of the controversy and of the seal alike.

Transportation Problems.—Transportation continued to bulk large in international affairs, though in altered forms. Canadian control of the St Lawrence outlet came to count for less as a diplomatic asset, partly because the railway was lessening the value of the waterway, and partly because the use of Canadian ports, if not of Canadian canals, was as great a benefit to Canada as to the United States, and not likely to be restricted. In fact, the chief canal issue of this period rose out of the attempt of the Dominion to induce both Canadian and American vessels to use the St Lawrence system clear through to Montreal. The greater the volume of transatlantic freight offered at Montreal, the greater the likelihood of abundant and regular ocean transport appearing, and of ocean rates, which were far above the New York level, falling to something like a competitive basis. In 1882 tolls were abolished on the Erie Canal; to retain traffic for the St Lawrence, Montreal shippers and forwarders at once urged similar action. In 1884 the Dominion agreed to make a reduction, which took the shape of a rebate on grain cargoes going through to Montreal but not to Oswego or Ogdensburg; in 1891 it was provided that transshipment might be permitted at a Canadian but not at an American port. The Canadian government contended that as these measures discriminated against United States routes and ports, not vessels, they could not be considered a violation of the equality pledged in the Treaty of Washington. In 1892 the United States government retaliated against these discriminations by levying tolls of twenty cents a ton on Canadian vessels passing through the American Sault Ste Marie Canal, the Canadian canal at this point not being completed. Canada accordingly issued new regulations imposing a toll of ten cents a ton on vessels passing through either the Welland or

St Lawrence Canals, payment of the Welland toll entitling the cargo to pass through the St Lawrence system free, a provision favouring the Canadian route without the previous explicit discrimination. The United States removed the Sault Ste Marie tolls, and the trouble ended.

Meantime, the railway situation had become acute. This question, which was as much an issue between different sections and interests in the United States as between the United States and Canada, had to do generally with the passing of goods in bond from one country to the other. It presented two quite distinct aspects: the foreign transit trade, traffic between either country and a third country over the territory of the other; and the domestic transit trade, traffic between two sections of either country through the other's territory. The foreign transit trade, established in 1847 by an executive extension of the clause of Jay's Treaty of 1794 regarding portages, permitted Canada to utilize the Atlantic seaports of the United States when her own St Lawrence ports were ice-bound, and afforded the western states an alternative outlet by the St Lawrence in summer. The domestic transit trade began in 1855, when the construction of the Great Western Railway and the bridge across Niagara opened up, in connection with the New York Central and Michigan Central Railways, the only all-rail route between New York and Chicago. Pressure from American interests led President Pierce to issue an administrative order sanctioning, so far as the United States was concerned, passage of goods by this route in bond. A statute passed in 1866 confirmed this order, and also legalized the foreign transit trade; an additional guarantee was provided in the Washington Treaty. In the seventies a corresponding favour was obtained by Canadians shipping goods to Manitoba through Duluth or St Paul.

The completion of the Canadian Pacific Railway in 1885 introduced a new and disturbing factor. Pending the development of local traffic, the new road made a vigorous bid for United States east and west traffic, not merely foreign transit trade between Asia and the eastern states, but domestic transit between San Francisco or points on Puget

Sound and the eastern states, in conjunction with a steamship line between San Francisco and Vancouver. Exempt at first from the control of the newly established Interstate Commerce Commission, and from the rule prohibiting lower rates for a long than for a short haul, the Canadian Pacific underbid its United States rivals with impunity; its competition was somewhat moderated, but at the same time recognized, when it entered the Transcontinental Rates Association in 1889, and was granted a smaller differential rating. Meantime, irritation caused by the fisheries dispute led the United States to threaten to cut off the eastern foreign transit trade in bond. The article of the Washington Treaty, legalizing the domestic transit trade, was abrogated in 1885, but the statute of 1866 covering the same ground then revived. United States opinion was divided. On one side stood the transcontinental railroads, eager to be rid of Canadian competition, and general opinion resenting both the fisheries attitude of Canada and the aggression of a railroad, considered to be simply the Canadian government under another name; on the other stood the shippers, who profited by competition, whether in the eastern states or on the Pacific coast or in Minnesota, where the Canadian Pacific had recently entered into alliance with the Sault Ste Marie line. Fortunately the settlement of the fisheries question removed the cause of United States irritation, and after the holding of the presidential elections in 1888 there was not the same temptation to ultrapatriotic politicians to attempt to inflame that irritation, so that gradually the bonding issue, always a secondary matter, ceased to attract public attention, and no open breach resulted.

Commercial Union and Unrestricted Reciprocity.—In the negotiations for closer trade relations between the United States and Canada, the initiative has usually come from a victory of low-tariff sentiment in the United States. The Reciprocity Treaty of 1854 was possible only through the ascendancy of the low-tariff democrats in Congress. The Commercial Union and Unrestricted Reciprocity agitation of the late eighties followed a new onslaught on the protectionist entrenchments at Washington. The Taft-Fielding proposals

twenty years later were the direct outcome of a revolt in the United States against vested interests in general and tariff extortion in particular. In the quarter century following Confederation, Canada may be considered a constant quantity; both political parties stood pledged to securing closer commercial relations with the republic, however they might differ in the scope of the arrangement they were willing to conclude. The United States was the variable factor; a brief review of the development during this period is essential to an understanding of the contemporary Canadian situation.

The high customs rates which the United States inherited from the necessities of the Civil War persisted without serious reduction for over twenty years after the war had closed. A horizontal reduction of ten per cent made in 1872 was repealed after three years of commercial depression and falling revenues; a revision made in 1883, after investigations by a special commission, had given only slight reductions, and those in the manufactures least exposed to foreign competition. Although the democrats secured control of the presidency and of the House of Representatives in 1884, for the first time since the war, the strength of a political minority in their own ranks blocked revision; it was not until the end of his term that President Cleveland succeeded in his policy of educating his own party and committing them solidly to tariff reduction. His famous message of December 1887, devoted entirely to the revenue and tariff situation—'it is a condition, not a theory, which confronts us'—forced the fighting on the tariff issue in the presidential campaign of the following year. The republican party, committed by opposition more strongly than ever to the defence of protection, won a sweeping victory, controlling presidency, Senate and House. In fulfilment of their campaign pledges they passed, in October 1890, the M^cKinley Act, which raised to the point of exclusion the duties on many manufactured products, notably textiles, and threw a sop to the farmers, growing restless under falling prices and trust and railroad domination, by making the duties on agricultural products almost prohibitive. Secretary Blaine's agitation for commercial union with the Latin-American states bore fruit in a provision

authorizing the president to impose taxes on sugar, molasses, tea, coffee and hides, as a means of securing concessions abroad. Under its terms agreements were concluded with Brazil, certain powers having West Indian possessions, and Germany and Austria-Hungary. Meantime the sudden rise in prices following the imposition of the new duties led to a remarkable revulsion of sentiment; in the congressional elections of 1890 and the presidential election of 1892 the democrats won sweeping victories on the tariff issue. In spite of the honest efforts of President Cleveland and the democratic leaders in the House to carry out their platform promises, the strong republican minority in the Senate, aided by democratic representatives of sugar and other interests, led to futile compromise and damaging failure; the Wilson-Gorman bill of 1894, which became law without Cleveland's signature, modified the M^cKinley rates here and there, but on no uniform or consistent principle. Finally the victory of the republicans in 1896, on the free silver issue, compelled its leaders to carry out their pledges to raise the tariff walls still higher, with the result known as the Dingley tariff of 1897.

In Canada closer trade relations with the United States ceased to be a vital issue for some years after the adoption of the National Policy. Then dark days came. The depression of 1873-79 had created the demand for protection as a sovereign remedy; the depression of 1884-89 brought on the agitation for Commercial Union. The National Policy had not proved a cure-all. Retaliation had not brought concessions from the United States, which seemed oblivious of the fact that retaliation was in force. The manufacturer was still hampered by a small and stagnant market. The farmer suffered from falling prices. The West had halted in its progress. Foreign trade had fallen not only below the mark of 1883, but below the mark of 1873. Racial and religious and sectional discord, bitter beyond all Canadian record, deepened despair and brought many to welcome heroic remedies. The turning of the democratic party toward free trade seemed to promise a favourable reception of overtures. The fisheries dispute made negotiations necessary; why not link fisheries and tariffs as of yore?

The time brought the man. Erastus Wiman, who was the moving spirit in the Commercial Union agitation on both sides of the border, was a Canadian by birth, and still a Canadian by allegiance; from journalism he had shortly turned to business; promotion led him across the border, where success increased. By 1887 he was manager of the Dun Mercantile Agency, and president of the Great North-Western Telegraph Company, controlling the bulk of the lines in Canada. 'At that time,' he writes, 'I was in receipt of an income of fifty thousand dollars a year, and was prosperous beyond the ordinary lot of man; I determined to devote a portion of my income to the promotion of this cause, for it was impossible from my previous training and my perfect knowledge of Canada on the one hand, and on the other of the United States, not to realize the enormous consequence that would flow to both from breaking down the barrier between them.'¹ In the United States he found allies in S. J. Ritchie, a capitalist with large railroad and mining interests in Ontario, requiring larger markets for successful exploitation, and in Ritchie's legal adviser, Congressman Butterworth of Ohio. They recognized the hopelessness of attempting to persuade the United States to accept the limited treaty of 1854, and came out strongly for a zollverein on the German model, or, to use the phrase for which Goldwin Smith stood godfather, Commercial Union. By Commercial Union its advocates understood absolute free trade between the United States and Canada, common excise rates and a common customs tariff against the rest of the world, the pooling of customs and excise revenues, and their redistribution according to population.

A zollverein was not a new idea in the discussion of commercial relations on this continent. In the United States it had secured the backing of such diverse public men as Stephen Douglas, Horace Greeley, William H. Seward and Ben Butler, of official investigators like Taylor, Derby and Larned, and of committees of the House of Representatives in 1862, 1876, 1880 and 1884. In Canada the project had been urged by Isaac Buchanan, the outstanding advocate of protection in

¹ Hopkins's *Canada, an Encyclopedia*, i. p. 412.

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OF THE DOMINION

1867-1912

BY

OSCAR D. SKELTON

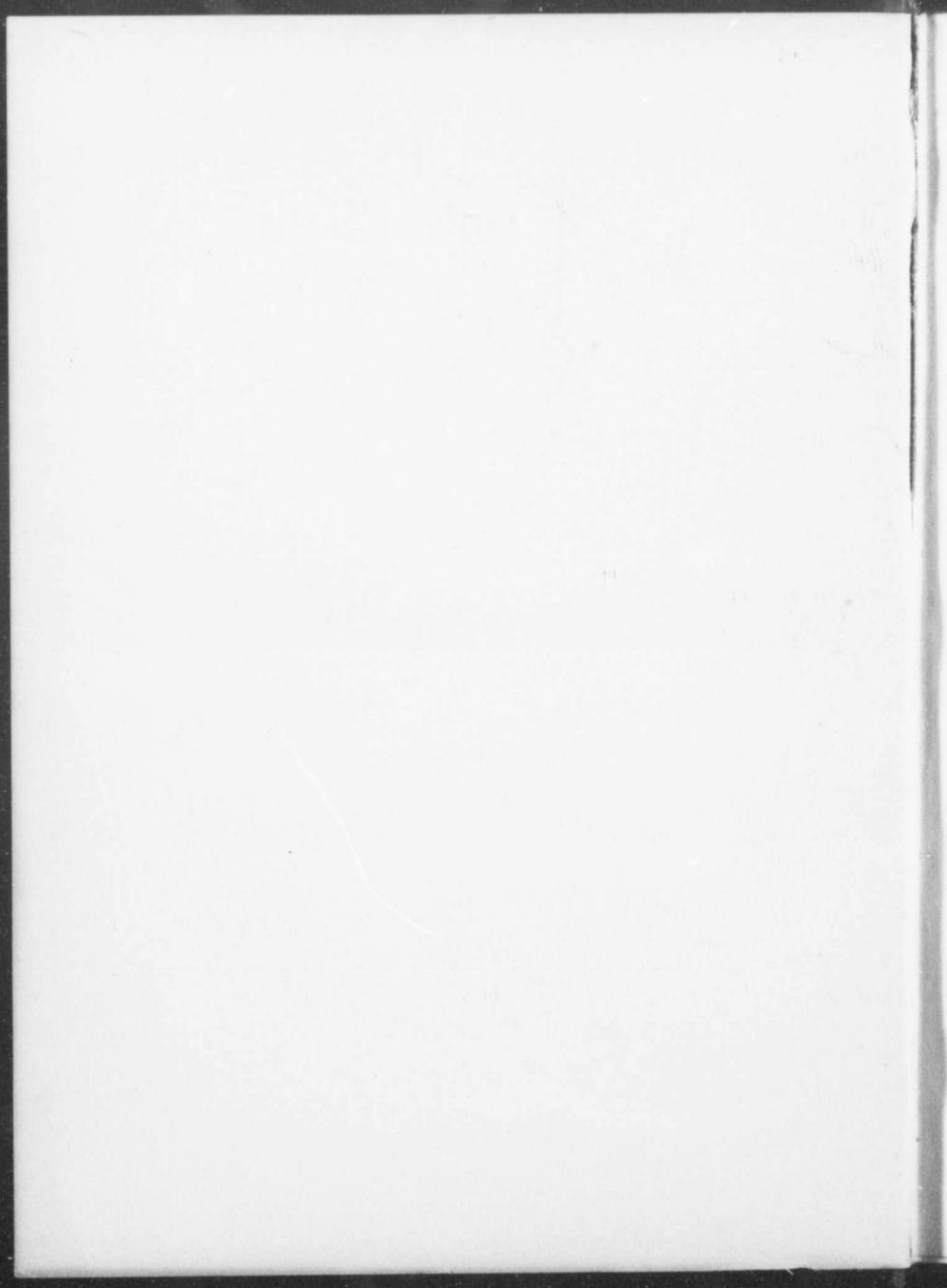
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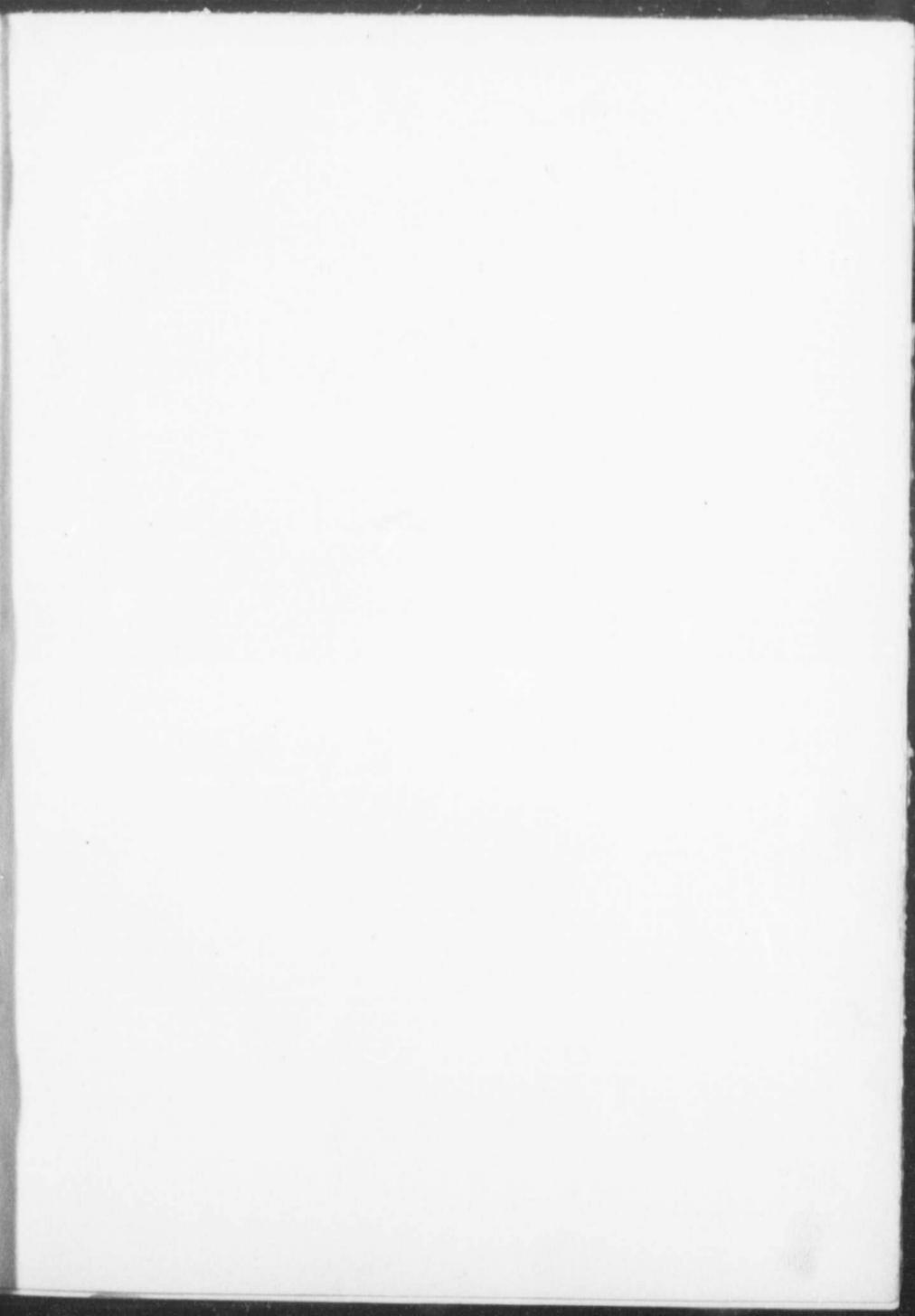
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A HISTORY OF THE CANADIAN PEOPLE
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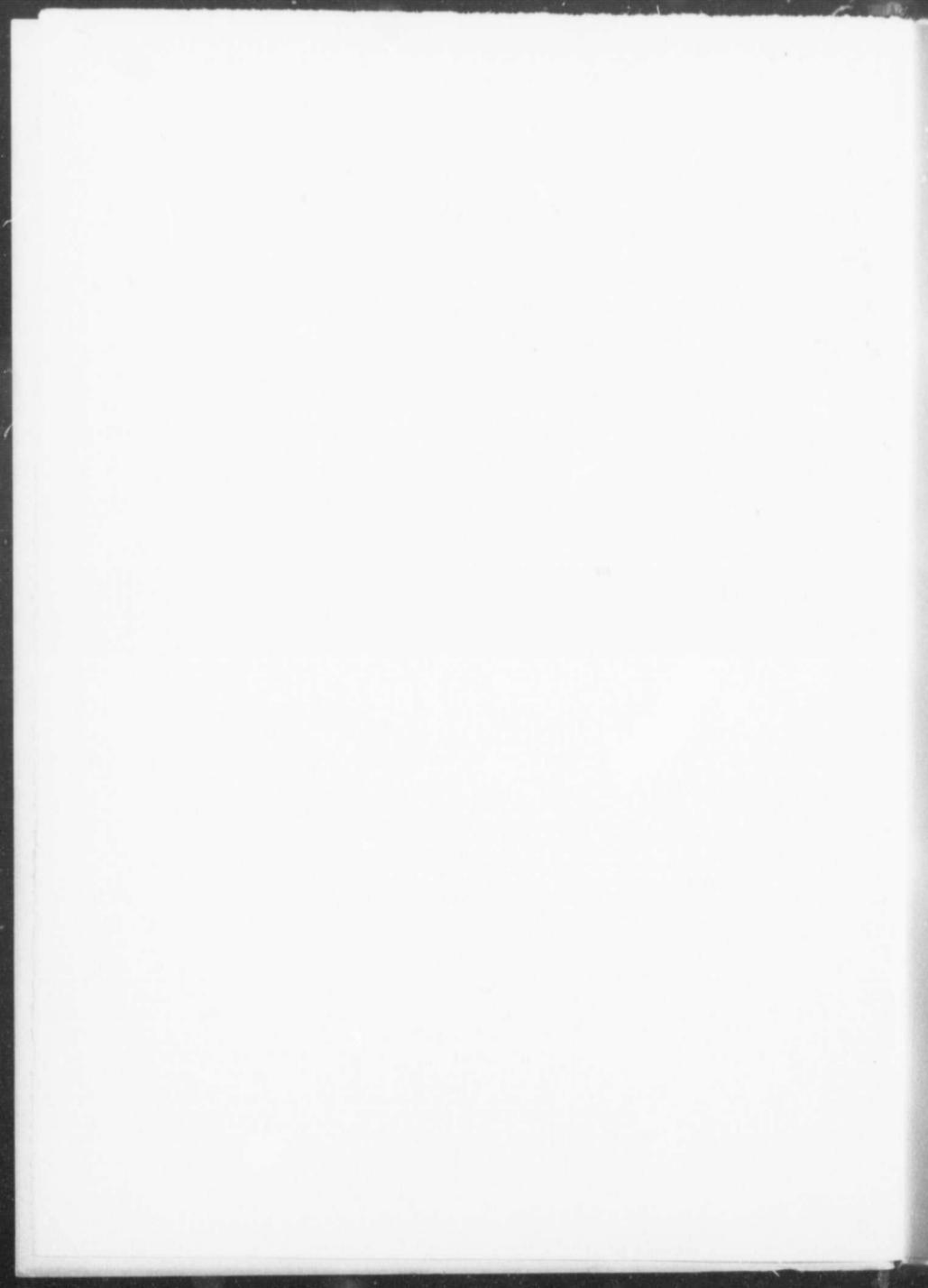
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BY

OSCAR D. SKELTON

PROFESSOR OF POLITICAL SCIENCE IN
QUEEN'S UNIVERSITY, KINGSTON



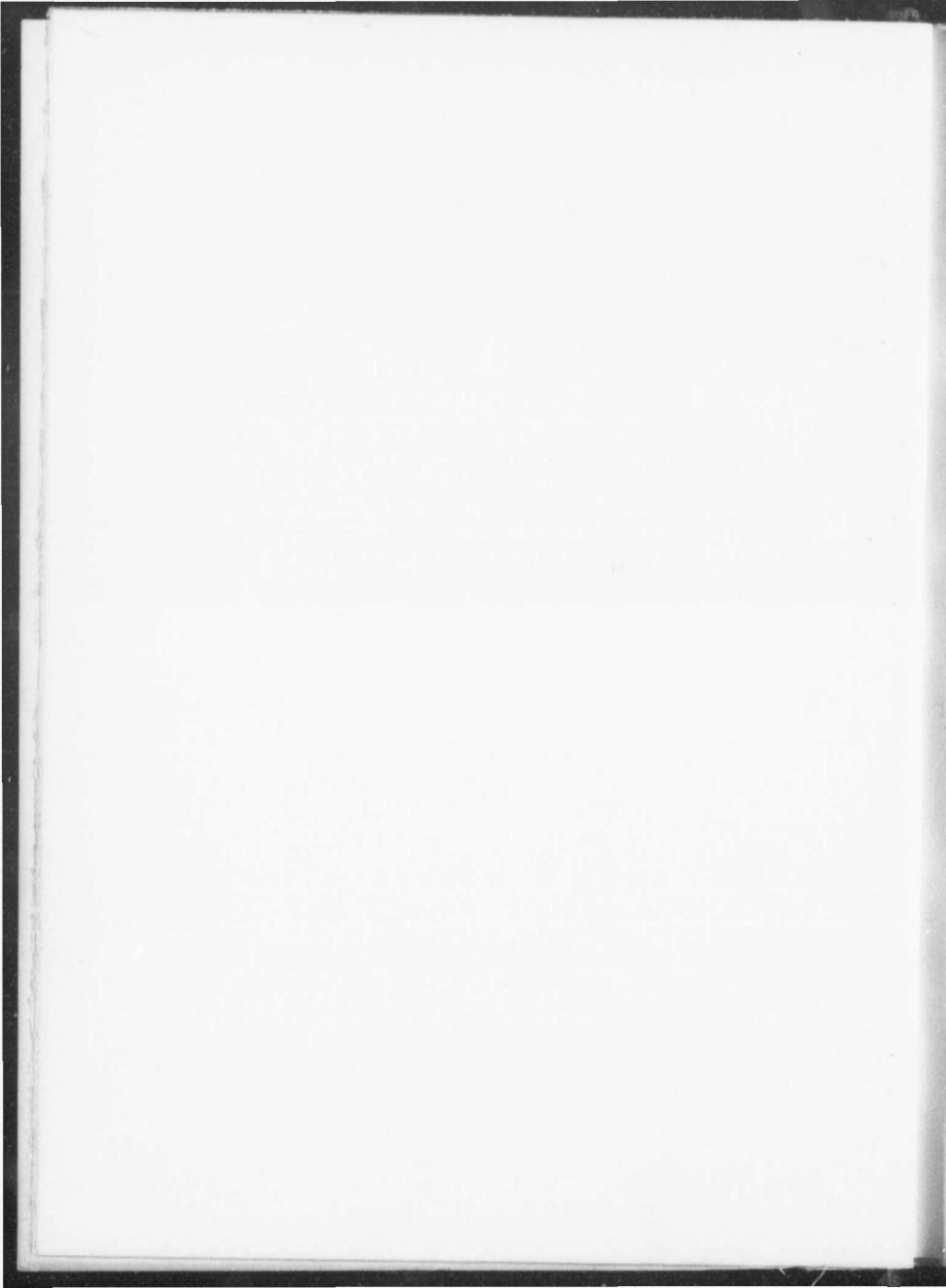
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Adam Shortt and Arthur G. Doughty,
General Editors



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GENERAL ECONOMIC HISTORY

1867-1912

I

THE ECONOMIC OUTLOOK FOR THE NEW DOMINION

WITH Confederation a new stage in the industrial development of the northern half of this continent began. The union of the four original provinces, followed speedily by the inclusion of all the British mainland, vitally affected the productive and commercial activities of the separate parts. Nova Scotia and Ontario and British Columbia, bound together as members of a single Dominion, developed interests and relations quite distinct from those prevailing in the days of their isolation. On the very eve of Confederation, the action of the United States in abrogating the reciprocity treaty, which for twelve years had largely determined trade relations, forced commerce to seek new channels.

In the conquest of America the individual has played a greater part than the state. It is easy to exaggerate the influence of political activities on industrial development, to lay stress on the achievement of the politician at the expense of the achievement of the business man, to underestimate the importance of the daily task of farmer and manufacturer and banker in shaping the nation's material growth. The lumberman cutting his way through the solitary pine forests of the Montreal River, the railroad builder pushing the end of steel every day a mile farther north or west, the farmer hewing out a home in the Upper Canada forest or homesteading on Saskatchewan plains, left few records of their daily

task; the politician worked in the limelight of party and newspaper publicity, so that he who runs may read. Undoubtedly the pioneer, restless, indomitable, has given the distinctive note to the life of the continent. Yet in Canada this has been less the case than in the republic to the south. Motives of state guided the settlement of New France and the building up of the loyalist communities after the Revolution. The paternal zeal of French ministers, the last word of the Colonial Office in London, accustomed the people of Canada to look to a power above and without—a power, not themselves, making for prosperity. Later, when increasing self-confidence brought Confederation, and Confederation brought increasing self-confidence, the somewhat artificial and essentially political character of the new union continued to magnify the importance of the state and of the large tasks with which only the state could cope. Questions of state policy, foreign and domestic, have possessed special significance in the upbuilding of Canada. It has seemed advisable, therefore, to make the federating of the scattered provinces the occasion for a summary review of the industrial potentialities of the new nation, and, in tracing the realization of these latent possibilities, to find convenient halting points in the changes of party régime in 1878, 1896 and 1911.

The citizens of the new-born Dominion, taking stock of national resources, had reason to face the future with courageous hope, sobered by a sense of the obstacles to unity, heartened by a knowledge, or foreshadowing, of the splendid heritage to be developed. There was ample room for the growth of a mighty people; the Dominion covered, or was soon to cover, some three and three-quarter million square miles, an area larger than the United States, and nearly as large as the whole of Europe, bordering on three oceans, and stretching from the latitude of Rome to the pole. This great half-continent lay mainly in the temperate zone, the field of the modern world's great civilizations. Being in America, it was conveniently accessible to the markets both of Europe and of Asia, as well as of the United States. Being in the north temperate zone, it was saved the risk of shipping perishable products through the tropics to market. Being

more northerly than the United States, it had the advantage in nearness to the ports of the other northern continents.

Communication was convenient. In the east the waters of the St Lawrence and Hudson Bay offered shipway far into the heart of the continent, though in the winter months the northern frosts sealed the St Lawrence channel and studded Hudson Strait with ice—a drawback railway construction could not altogether remove, with Halifax twice as far as New York from Toronto. On the west coast, though nearly half the length was cut off from direct access to the sea by the Alaskan extension jutting south—as Newfoundland's Labrador strip in parallel but less hampering way barred half the Atlantic coast—the sunken mountain valleys of the southern half provided deep fiord harbours of unsurpassed magnificence. In the interior the St Lawrence chain of lakes and rivers afforded unequalled facilities for transport, with formidable barriers of falls and rapids to conquer. Far to the west the Saskatchewan carried the possibilities of navigation to the foot of the Rockies, its waters falling into Hudson Bay through the Nelson, and into Lake Superior through the Winnipeg and Rainy Lake chain; but the capriciously winding, swift or shallow waterways of the west, running through plain and prairie land that offered open paths, were destined, in spite of oft-recurring plans and projects, long to play a lesser part than the waterways of the east, flowing deep and straight through dense and trackless forests. The broad Mackenzie found outlet in a frozen sea; the rivers of the Pacific coast were more valuable for the railroad bed they had channelled out than for what traffic their own swift waters could bear. Through the mountains of the Far West, passes, some still unknown, were destined to afford passageway for railroads at less than half the altitude to which the transcontinental roads of the United States were forced to climb. Throughout the whole half-continent there were no impassable barriers and but few grades so steep as to hamper traffic.

Of momentous import for the Dominion's future was the geological basis, which has elsewhere been fully described.¹

¹ See 'The Physical Basis of Canada' in this section.

Habitable Canada was cut in four; nearly half a century after Confederation, the Dominion, seeming on the map to spread two thousand miles from south to north, was still, in three places, less than one hundred inhabited miles wide—where the great Laurentian Plateau all but meets, first Maine and the Appalachian highlands thrusting north, then once more United States territory near the junction of the St Lawrence and Ottawa, and westermost, the waters of Lake Superior. To-day the building of the National Trans-continental and the Hudson Bay railroads, and the re-discovery of the clay belt north of the height of land are giving breadth as well as length, but throughout the whole period covered in this survey breadth was lacking, and these narrow straits cramped and deflected the current of national development. In what other land would the centre of population fall outside its own borders?

The climate of this half-continent presented the widest variations. Southern Ontario lies in the latitude of Rome, Winnipeg in that of Frankfort, James Bay of London, and Fort Liard, half-way between the United States border and the Canadian Arctic coast-line, of Christiania. But the altitude, varying in the west from 4500 feet in South-Western Alberta, to 900 in the Peace valley and 800 at Winnipeg; the equalizing influence of the ocean or Great Lakes; the ocean currents, iceberg-laden on the north-east, bearing the warmth of the mid-Pacific on the north-west; winds that blow from the icy north upon Ungava but westerly and warm upon the western plains, make latitude no certain key to temperature; the summer isotherm of 55°, which, in the heart of the continent, near Rainy Lake, dips down to within fifty miles of the United States border, sweeps far to the north-west, until, on the Mackenzie, it is north of the Arctic circle. Rainfall is normally abundant in the east, and the western coast ranks among the moistest districts of the world. On the interior plateau of British Columbia, and in the plains and prairies of the central west, the annual precipitation ranges only from ten to twenty inches. Fortunately the bulk of the rain falls in the months when it is needed, and the winter's frosts slowly yield moisture to the growing crops; only a

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small projection of the American semi-arid region, covering less than a hundred thousand square miles, crosses the Canadian border.

For agriculture the prospect was encouraging. The desolate tundras on both sides of Hudson Bay and the mountain areas excepted, there was little of the Dominion where the ploughman or the grazier might not hope for success. In the Maritime Provinces, in spite of spurs of Appalachian highlands, a fertile soil and moist climate promised well for mixed farming, especially stock-raising, and fruit and vegetable growing. In the St Lawrence valley soil and climate alike favoured grain and roots, stock-raising and dairy-farming, and in large areas fruit-growing. In the central west the riches of the future were still veiled by mists of prejudice, and not the most optimistic foresaw the achievement possible when the way of the land had been learned. The fertile valleys of the Pacific coast and the interior plateau of British Columbia were also rich in promise, but they also were to reveal their wealth only to experience. Yet already enough was known of the wide Dominion to make it clear that agriculture would long be the dominating interest.

Almost as great, and seemingly as inexhaustible, was the forest wealth of the Dominion. There were, it is true, vast treeless areas, the barrens of the far north and north-east, the mountain heights, the southern prairie and the semi-treeless lands south of the barrens, sparsely wooded, with forest density only along the watercourses. But fully half the Dominion was forest clad. From the Maritime Provinces to Manitoba stretched a belt of splendid pine. Beyond it, extending from Nova Scotia to the Yukon, three thousand miles in length and averaging two hundred in breadth, lay the spruce belt of the continent. In the St Lawrence valley the only hard woods were found, valuable, but limited and daily lessening, while on the well-watered Pacific slope a vast and heavily wooded coniferous forest furnished one of the world's greatest timber reserves.

Sea and lake and river offered rich harvests, the east and west coast fisheries being perhaps the most extensive in the world, with quality assured by the coldness of the northern

waters. The western plains at worst would prove a mighty game preserve, even the barren north thus redeeming itself. From east to west mineral wealth lay awaiting the prospector's pick, rich in variety and extent, though destined to slow and often disappointing development. Coal had already been found in abundance on both shores, but the geological structure of the interior made its discovery in the St Lawrence valley improbable. East and west and centre alike held stores of iron ore, large in area, though often difficult in treatment; gold and silver, copper, lead and nickel, asbestos, mica and corundum, were all to be discovered in otherwise barren areas.

Here was wealth to employ and amply to reward the toil of unending millions. Yet, rightly or wrongly, no modern land is content with the partial development which the exploiting of natural resources affords. Industrial and commercial eminence was sought, and might in fair measure be achieved. Abundance of raw material, inexhaustible water power, facility of transportation, growing home and foreign markets, favoured manufacturing growth. The competition of older lands, the isolation of the several distinct regions into which the Dominion was divided, the small and scattered population, the long winters, the scarcity of capital and of labour, and the counter-attractions of cheap land and independence, made it evident that success would not be quickly or lightly won.

Noteworthy among the factors shaping the industrial development of the Dominion have been its relations with the United Kingdom and the United States. From the mother country Canada derived in the main the political institutions which have ensured sound and orderly progress, and in early years the settlers, in later years the capital, necessary for development. British connection influenced, though it could not determine, tariff policy, and proved the deciding factor in preventing the linking of commercial fortunes with the United States. The United States—its borders marching for three thousand miles with Canada's, its people largely of common blood and common tongue—has inevitably exercised even more pervasive influence on the general type of civilization, and especially on the economic

life of the Dominion, an influence acting sometimes by attraction and sometimes by repulsion. It has been said that the United Kingdom influenced Canada from above and the United States from below; we have adopted the cabinet system of Britain and the party methods of the republic; 'God save the King' is sung with more fervour than in England, but Broadway slang is on the free list, and baseball has ousted cricket. In the social and business customs of daily intercourse the influence has been most marked. From the United States Canada derived its later land system, the methods of surveying, the homestead policy, the land grants to railways, the activities of the land company and the subdivision expert. The cheese factory and creamery and the fall fair have been borrowed and bettered. Later came the steam-plough and the gasoline tractor, the elevator and the manipulation of elevator grades. The railroads, from gauge, rolling stock and organization, to construction company methods and political influence, show the power of American example, equally with the decimal currency, the system of commercial accounts, and the patent law. Newspapers, fashions, consumers' standards, are much alike. The machinery and methods in saw-mills, flour-mills, canning and packing factories, carriage works, furniture, agricultural implement, builders' hardware and boot and shoe factories, piano works, blast furnaces and foundries and steel mills, pulp and paper mills, are unmistakably of United States origin, direct or indirect. Organized labour and employers' associations, mergers and methods of high finance, the protective tariff, all reveal the same influence. The early waste of the United States warned, its late repentance stimulated, Canadians to adopt the policy of conserving natural resources. Doubtless much of this parallel development has been due, not to imitation, but to recurrence of similar conditions; doubtless Canada has in her turn modestly influenced the development of the United States, but, all allowance made, there is no question that the intimate, wide-reaching influence of Canada's great neighbour has profoundly affected her industrial development.

Last, but not least important, the observer would have

had to reckon with the personal element in the equation. The Canadian people might in all modesty have considered themselves one of Canada's chief assets. They were almost exclusively of north-western European stock, French, Irish, English, Scottish, German, in the order given. They had been selected and weeded out by the difficulties of emigration and the hardships of pioneer life under a northern sky. Immigration had been gradual, and the newcomers had been thoroughly assimilated; at Confederation eighty-three per cent of the people were native-born, though differences in race and religion and language between French- and English-speaking Canadians undoubtedly diverted energy from economic to political channels. Of industry, orderliness, thrift, and all the copybook virtues they had their due share. Education had been prized, at least in the English-speaking parts, and fairly attained. In many and varied ways Canadians had shown themselves progressive and energetic, and if lacking somewhat of the daring and the sublime self-confidence, individual and collective, which material success and national independence had bred in their cousins to the south, they solaced themselves with the belief that in staying qualities they would prove at least their equals.

II

TAKING STOCK AT CONFEDERATION

SUCH were the more significant elements in the situation which the new-born Dominion had to face. At Confederation only the barest beginning had been made in developing this rich heritage. In the whole half-continent which was soon to be united under one government, there were scarcely three and a half million inhabitants; of these, four of every nine were in Ontario and three in Quebec; west of the Great Lakes, white man, Indian and half-breed all told counted few more than a hundred thousand souls. This pioneer handful were scattered far in farm and fishing village and lumber camp; there were only nine towns in the half-continent with over ten thousand inhabitants. Montreal,

however, had metropolitan claims with its hundred thousand inhabitants, Quebec counted nearly sixty, Toronto fifty, Halifax, St John and Hamilton, between twenty-five and thirty thousand.

In the farthest west relatively little had been done to exploit the varied riches of British Columbia. The feverish days of Cariboo were over, and the production of gold, though still important, had passed the climax. The coal-fields of Nanaimo were being energetically worked. A small export trade in timber had developed. The splendid fisheries of the coast were practically untouched. When the province entered Confederation, one or two whaling enterprises and a solitary salmon-canning factory on the Fraser exhausted the list of endeavour. A few saw-mills and grist-mills, breweries and distilleries, comprised the natural beginnings of manufacturing development. Trade was mainly with the United Kingdom and the United States; direct intercourse with Eastern Canada there was virtually none. East of the Rockies the buffalo still roamed the plains. The palisaded forts of the Hudson's Bay Company, now about to be shorn of its political and territorial powers, a few struggling half-breed settlements on lake and river edge, an occasional brigade of creaking, solid-wheeled, Red River carts laden with furs and pemmican, were the only advance guards of civilization beyond the borders of the Red River settlement.

In the eastern provinces farming came first in importance. The American type of small freehold farm was firmly established. The policy of rapid opening up of the country by actual settlers was being carried out in all the provinces, though with varying energy and varying success. In Ontario the bulk of the land in the western peninsula and on the St Lawrence and Lake Ontario front had been disposed of; in this older region the province still had crown lands and clergy reserves and school lands to sell at modest prices, while a vigorous attempt was being made to carry settlement beyond the Laurentian barrier at which it had halted, by giving free grants of one hundred acres bordering on colonization roads built in the wilderness between Georgian Bay and the Ottawa. Private companies like the Canada Land

Company were slowly selling or leasing their dwindling domains. In Quebec the attempt at setting up feudalism in the New World had been abandoned, though not without leaving a deep and lasting impression on the life of the province. The same policy of free gift of a limited portion of the less desirable lands, and sale on easy terms of the more fertile or more accessible areas, was adopted as in Ontario. In New Brunswick nearly half of the seventeen million acres had been alienated from the crown, though only one-tenth of this half was cleared; lands were sold at fifty cents an acre, or granted in return for labour on adjoining roads. Nova Scotia had disposed of half of its eleven million acres; little of the half remaining was suited for cultivation, but all was for sale at forty-four dollars per hundred acres—considered the cost of surveying. In Prince Edward Island the absentee proprietors, to whom the whole area had been lavishly granted, had not yet been bought out, and only a few thousand acres were in possession of the crown.

Ontario was easily first among the provinces in farming, and farming was first among occupations in Ontario. Wheat was still king; the western province grew many times more wheat than all its sisters, and ranked with the foremost states in the Union, but, except in the newly cropped western counties, reckless wheat-growing was already exhausting fertility. Barley, coming into strong demand with American brewers, and other coarse grains, were rapidly gaining. Stock-raising was fairly widely followed; private and public effort had led to the importation of improved breeds of cattle and sheep, and laid the foundations for greater success in the future. Dairying was just emerging from farm to factory conditions; by 1867 there had been established some half-dozen cheese factories on New York models, aspiring some day to equal New York State in quality. Fruit-growing was limited to local demand. In Quebec wheat-growing had long been stationary or retrograde, thanks to wheat-midge and Hessian fly and exhausting culture, but in the coarse grains and in hay and roots progress was marked. In the Maritime Provinces, except in fertile Prince Edward Island, agriculture had a lesser place. Neither Nova Scotia nor

New Brunswick grew enough wheat for its own support, handicapped by excessive moisture; stock-raising, dairy and fruit farming, for which large areas were eminently suited, were also backward. There had been many good citizens but few skilled farmers among their loyalist and Irish and Highland settlers, and the distractions of fishing and shipbuilding in Nova Scotia, and of lumbering in New Brunswick, unsettling and wage-raising, had prevented the concentration that might have developed native skill.

The forest closely followed the farm as a source of wealth, and especially as a factor in the export trade. The red and white pine of the St Lawrence and Ottawa valleys yielded yearly some fourteen million dollars' worth of exports, squared and ship timber to Britain, sawn lumber to the United States, roughly half in value to each. The supply of hardwoods, recklessly burnt or cut in earlier days, was rapidly dwindling; already Canada had been compelled to fall back on Indiana for its chief supply of walnut. Nova Scotia's forests yielded little, but in New Brunswick the white pine, the black spruce and the larch made lumbering pre-eminent. Abundant potash and pearl-ash exports testify to the rapidity with which settlers were clearing the cumbering forest.

The harvest of the sea was little reaped. The value of the year's catch at Confederation was probably less than four millions. On the Atlantic seaboard, where Nova Scotia, then as now, was foremost, a staple dried-fish trade had been built up with little change in methods through the long years since the cod first drew adventurers to the shores of Canada, or at least since the Jersey merchants a century before had organized the fishery. There was little, if any, deep-sea fishing; the in-shore fishery was carried on by traps or weirs on land, or with hook and line in small boats, or in vessels with their half-dozen men venturing out to the banks ten or fifteen miles away. Cod, hake, haddock and pollock, halibut, herring and mackerel, alewives, smelt and flounder, and sardines, or rather young herring, made up the catch. The salmon of the Atlantic rivers was still supreme in eastern markets. In the frontier lakes of Ontario

whitefish was at the zenith of its wonderful abundance ; the lakes of the interior were little fished except by Indians and half-breeds for their own use.

The mineral wealth of the country was still little known and less developed. The prospector had worked only in the settled fringe or in the regions made accessible by lake and river channel. Development had lagged for lack of skill or capital or markets. Yet a beginning had been made. The gold which early explorers sought in vain had been found in far-scattered fields. In British Columbia the rich placers of the Fraser and Thompson valleys had drawn tens of thousands into the wilderness ; the climax had been reached in 1863, however, with the production of some four millions, and the Cariboo was now dwindling. On the opposite coast gold had been discovered in Nova Scotia in 1860, and, by Confederation, quartz yielding over two millions had been crushed. The alluvial diggings of the Chaudière River in Quebec were extensively if unsystematically prosecuted, and near Madoc the discovery of quartz veins had produced much speculation and a little gold. Silver had been found in many parts of Ontario, but only the mine at Thunder Bay on the north shore of Lake Superior, discovered in 1866, gave promise of profitable working. As far back as 1770 the native copper ores of the same Lake Superior region had lured English capitalists, the first of a long ill-fated line, to investment and loss ; from the middle forties operations at Bruce Mines by Montreal and English companies had met temporary successes but final failure. In the Eastern Townships of Quebec copper pyrite ores had been worked for some ten years, and in a few instances rich surface pockets yielded large returns. Iron had been discovered in many quarters but was mined in few ; the Londonderry mine was the only one operated in Nova Scotia. In Quebec the large deposits of bog ore north of the St Lawrence, and especially in the Three Rivers district, deposited in lake and swamp by the rivers that flow across the iron-bearing rocks of the Laurentides, the magnetite bed on the Gatineau near Hull, and the black sands of the Moisis River, were being worked, while in Ontario the hematite ores of the Peter Bell mine near

Amprior, and the magnetites of Marmora, kept hope of a great industry alive.

Of the non-metallic minerals coal held first place. In Nova Scotia, where coal-mining had been carried on sporadically for a century and a half, and energetically after the passing of the reciprocity treaty in 1854 and the dissolution of the General Mining Association's monopoly in 1858, some six hundred thousand tons were raised a year, two-thirds of it being shipped to the United States; on the Pacific coast the Nanaimo field was yielding about thirty thousand tons. Ontario and Quebec were coalless then as now, but Ontario had its recompense in the petroleum fields of the southern peninsula; oil had first been struck at Oil Springs in Lambton County in 1862, then Bothwell in Kent was developed, and in Confederation year Petrolia was the centre, shipping or tanking three thousand barrels a day. The lack of markets—Canada was consuming only half the output, and Liverpool port authorities were refusing the evil-smelling product storage-room—was, however, hampering industry and threatening the paper fortunes of speculators. Drilling for oil near Goderich in 1866 had led to the discovery of salt, and in August 1867 some ninety barrels a day constituted the beginning of Western Ontario's salt industry.

The rich opportunities and the imperative tasks of farm and forest and sea had thrust manufacturing into a secondary place. Yet notable beginnings had been made, and an enterprise in planning and an energy in execution displayed which promised well for the future. Ontario and Quebec, with their denser population, their more settled modes of life, and their higher tariff, led the way. The industries which had first developed were those for which abundant raw material was at hand, or those supplying necessities for which transportation difficulties or exigencies which could not brook delay, provided a secure local market. They were nearly all operated on a small scale, meeting merely local needs. As a rule neither large capital nor highly skilled labour was demanded. The industrial establishments in which the value of the product exceeded two million dollars, according to the census of 1871, which included both hand trades and factory

industries, were, in order of magnitude, flour-mills, saw-mills, boot and shoe establishments, including both factories and cobblers' shops, tailor and clothier shops, tanneries, foundries, bakeries, woollen-mills, blacksmith shops, carriage factories, shipyards, sugar refineries, distilleries, meat-curing establishments, carpenter shops, cabinet and furniture shops and factories, printing offices, oil refineries, sash and door factories, furriers' and hatters' shops, agricultural implement factories, dressmaking establishments, saddlery shops, tobacco factories, tin and sheet-iron working shops, carding and fulling mills, and breweries. Clearly the majority of these were based on a ready supply of raw materials, and most of the others, especially the hand trades, on the necessity for manufacturing or repairing on the spot.

Flour and grist mills, around which the earliest villages and towns had grown, led the van; every county had its mill, many their score, some their fifty, wherever a mill dam and a wheat supply gave opportunity. Saw-mills were twice as numerous, over five thousand in all, and sash and door factories and furniture and cabinet shops followed in natural sequence. The abundance of hides and of hemlock and oak bark had given rise to a flourishing tanning industry, and cheap leather and a high protective tariff had encouraged the growth of boot and shoe manufacturing, most successful of the strictly factory occupations; at Confederation Montreal was the centre of the industry. Ontario's woollen-mills were flourishing, stimulated by the cotton famine of Civil War times; the honest worth of her tweeds was widely recognized. Homespun were still much worn; perhaps half the farmers still took their wool to a local carding-mill, and after the women had spun it at home, or spun and woven it, took it to a custom weaving-shop or a custom fulling-mill to be finished. Cotton factories were few and backward in comparison; the necessity of importing all the raw material, and the greater superiority of the machine over hand methods, had prevented cotton-manufacturing from developing, in the way that woollen-manufacturing had developed, as a domestic industry, while English competition had hindered the growth of factories.

The blacksmith shop at the cross-roads had grown from repairing to manufacturing, and farm-implement factories, carriage shops, foundries and machine shops were among the most successful of Canadian industries, meeting on equal terms the United States makers, whose models had been largely followed; the range of foundry product ran from stoves to locomotives. In shipbuilding the eastern provinces, where sea and forest met, were pre-eminent; nearly every bay and creek had its shipyard, and the vessels of Yarmouth and St John and Quebec, rated high for strength and speed, had ready sale on both sides of the ocean. Distilleries and breweries found materials and markets on every hand. Sugar factories in Montreal provided one of the few instances of an industry based on foreign supplies. Chemical industries were little developed, drugs, starch, soap and potash being the chief products. Oil refineries and salt works, it has been seen, were increasing rapidly in Western Ontario. The attempts to smelt copper at Bruce Mines had ended in failure; the Eastern Townships had attained somewhat greater success. In iron-smelting it was still the day of small things; blast furnaces at Londonderry (Nova Scotia) and Woodstock (New Brunswick) enjoyed a feeble and fitful activity; in the Three Rivers district the old St Maurice forges, established by the French authorities in 1733, had ceased to operate, but the Radnor and Drummondville furnaces continued to utilize the bog ores and the charcoal resources of the region, chiefly for the making of car-wheels. In Ontario seventy years' experimenting had seemingly come to nothing—what with ores in pockets or difficult to treat, mismanagement or lack of capital or skill, transportation problems and English competition; at Confederation the Marmora furnaces were passing through a periodical reorganization. Yet the necessity of importing pig-iron from Britain did not prevent rolling-mills and industries utilizing iron from ranking among the most flourishing in the Dominion.

III

1867-1878: LAYING THE FOUNDATIONS

THE POLICY OF THE STATE: LAND AND IMMIGRATION

CLEARLY the first need of the new Dominion was men. Vastly more hands were required for the task of subduing half a continent. The natural growth of the native population was rapid; there was yet no occasion for sermons on race suicide by the heads of the state. And immigrants would come from the crowded lands across the sea even if the Canadian governments took no step, as the United States federal government took no step; ambition beckoned them, philanthropists exhorted and organized them, famine and failure thrust them forth. But the impatient eagerness for expansion and active rivalry of other man-hungry new lands forced the state to aid and stimulate the movement.

After a division of labour between the federal and provincial governments had been agreed upon, an energetic campaign was begun. Agencies were established on the Continent, where they met much opposition, and extended in the United Kingdom, where they met a too ready cooperation from charitable societies, and a prejudice, slowly melting into favour, in other quarters. Pamphlet and press and platform made abundantly clear the rosy opportunities of the new land. Cash supplemented advice. To meet the competition of those Australasian and South American countries which offered free or assisted passages, the Dominion established in 1872 a system of passenger warrants, by which approved immigrants were enabled to obtain passage at £4, 15s., or, if married farm labourers or domestic servants, at £2, 5s., instead of the standard six guinea rate. The pre-Confederation policy of somewhat indiscriminate payment of the inland fares of pauper immigrants arriving at Quebec, even though destined for the United States—a payment covered for a time by a small capitation tax, averaging one dollar a head, and finally abolished in 1872—was restricted by order-in-council in 1868, but in 1872 Ontario and Quebec

agreed to pay two-thirds of the railway fare of immigrants settling in those provinces, the Dominion paying the other third; immigrants for New Brunswick, landing at Halifax, were carried free over the government railways. In addition Ontario paid, with varying restrictions, a bonus of six dollars to adult settlers, after three months' residence in that province. By 1873 the total Dominion and provincial expenditure in promoting immigration had grown to over half a million.

More important in directing the flow of immigration than pamphlets or bonuses was the land policy. The United States in their homestead laws of 1862 and 1864 had boldly adopted the policy of free grants of western lands, in the belief that rapid settlement by freehold proprietors would be of incomparably more benefit to the state than the millions for which the land in time might be sold. The result was speedily seen in the westward surge of European and American alike. If Canada was to hold its own, it was imperative to adopt an equally liberal policy.

In the east the ungranted lands were controlled by the various provinces. Nova Scotia and New Brunswick continued to offer their land for sale at nominal prices. Quebec and Ontario supplemented sales by a system of free grants of their backwoods lands, subject to clearing and residence terms. Ontario in 1868 set aside three million acres for this purpose, and in 1871 even provided ready-made clearings and buildings for settlers, an example which Quebec soon followed in connection with an endeavour to repatriate the French Canadians who had drifted to the eastern states. But the lands thus opened for colonization, in the Ottawa, St Maurice and Saguenay valleys, and the Gaspé peninsula in Quebec, and on the Laurentian backbone of Ontario between the Ottawa and Georgian Bay, were in large part barren, difficult of access, even with colonization roads built, and difficult to clear; the scattered fertile areas were scarcely more than adequate for the expansion of the native-born. The ready-made farm experiment was abandoned because of the inability or unwillingness of the settlers to repay the advances.

If European settlers were to be attracted in great numbers, it was clearly necessary to open up the vast empire between the Great Lakes and the Rockies, transferred in 1869 from the Hudson's Bay Company to the Dominion, and under control of the federal government. Recognizing this need, the Macdonald ministry in 1872 adopted the United States policy, from the method of surveying to the method of granting lands. In every fifth township two, and in the others one and three-quarters, of the thirty-six square-mile sections were set apart for the Hudson's Bay Company, and two as endowment for schools. The rest were thrown open to settlement, by purchase at one dollar an acre, with not more than six hundred and forty acres to any individual; or by homesteading, a quarter section being granted free on condition of three years' residence and cultivation. Again following United States example, in 1874 homesteaders were allowed to pre-empt an adjoining quarter section, that is, to secure a three years' option on it, entitling them to purchase it at the regular one dollar price, payable in instalments, and in 1876 tree claims were established, grants of quarter sections, conditional on the planting of one-fifth of the area within four years.

Fair success rewarded this energetic striving. The number of immigrants settling in Canada, some twelve thousand in the first year of Confederation, fluctuated between twenty-five and fifty thousand in the seventies. The highest point was reached in 1873, the year of the crest of prosperity. That year was also the first in which the number declaring their intention to settle in Canada exceeded the number passing through Canada to the United States; not until 1880 did the balance incline again in favour of the United States. Of these settlers Ontario, with its more prosperous farming, its active industries, and its energetic immigration campaign, received the lion's share; the Maritime Provinces were passed by. The day of the West had not yet come. Lack of transportation facilities and the more strenuous display of the attractions of the north-western states proved a serious drawback. The intending settler, say in 1873, had his choice of entering through United States territory by rail to Chicago and St Paul or by water to Duluth, thence by rail to Red

River points, and boat or stage to Fort Garry ; or of making the journey through Canadian territory, by boat from Sarnia or Collingwood to Fort William, thence by the Dawson route maintained by the Dominion government, forty-five miles by wagon from Fort William to Shebandowan Lake, three hundred and ten miles broken navigation in open boats and steam launches to the north-west angle of the Lake of the Woods, and thence ninety-five miles in cart or wagon to Winnipeg—all for ten dollars, and 'board oneself.' In face of the tedious hardships of the Dawson route, and the blandishments of the American land agents along the alternative routes, settlers dribbled in. Winnipeg's three hundred people of 1870 had become seven hundred in 1871, fourteen hundred in 1872, and three thousand in 1876. Probably seven thousand immigrants entered Manitoba in 1877. The new settlers were chiefly from Ontario and the United States ; few from the British Isles penetrated thus far. The beginning of the Continental invasion falls in this period ; some two thousand Icelanders, driven forth by hunger and disturbing volcanoes, and seven thousand Mennonites from Southern Russia, eager to escape the military service their religion forbade, were aided and induced to colonize in Manitoba, where, after much tribulation, success crowned their strivings. But until the completion of rail connection between St Paul and Winnipeg in 1878, cutting a twelve-day journey to three, and raising the price of wheat in Manitoba from fifty cents a bushel to seventy-five, the western rush could not begin.

THE OUTWARD FLOW

On the surface an average immigration of thirty thousand a year would seem to imply expanding industries and rapid opening up of the country. There was, however, grave cause for misgiving. Relatively to the United States, Canada received few of the world's surplus men : in the first ten years of Confederation Canada attracted only one-fourteenth as many immigrants as the United States in all, and only one-sixth as many, including transients, from the British Isles. More serious was the fact that many of the

immigrants soon drifted across the border. Still more serious was the large and growing exodus of native-born Canadians, a remarkable movement, which for over thirty years was the skeleton in the Canadian closet. No official Canadian computation of this emigration exists; the United States official count of Canadian immigrants crossing the border was proved to be grossly inaccurate, and was discontinued in 1886. The most trustworthy sources are the census statistics of the two countries, which show that natives of British North America resident in the United States increased from a quarter million in 1860 to a half million in 1870, and somewhat less than three-quarters of a million in 1880, while during the latter decade natives of the United States in Canada increased only from sixty-four to seventy-seven thousand. A melancholy satisfaction was received from the contemplation of the success achieved by the sturdy worth of these lost sons, while on the other hand Canada recognized the debt she owed to the United States for many of her ablest leaders in the industrial field, notably in lumbering and machinery-manufacturing in the earlier years, and in railroading in a later era.

The causes of the greater drawing power of the United States, as regards both the European and the Canadian, were clear, and for the time irremediable. The free lands of the United States were easily accessible and seemingly limitless, those of Canada difficult of access and belied by rumour. In the republic settlement rolled westward unhindered until the arid plateau of the Far West was reached; in Canada the lakes and the rocky wilderness to the north long interposed a barrier against which the incoming tide beat and was deflected south. To the Canadian the fascination of the great city, its varied business and professional opportunities, drained rural Nova Scotia or rural Ontario as they drained rural New Hampshire and rural New York. Inter-provincial migration was as yet infrequent. 'Boston is a few hours' trip,' declared a Nova Scotia representative at a Dominion Board of Trade meeting, 'but to come to Toronto one needs to mortgage his farm to pay the fare.' To the European emigrant weary of feudal oppression, there was

magic in the name of a republic; for many a year Canadians protested that their government was freer and more efficient than their neighbours', but protested to an unheeding or an unbelieving world.

CANAL AND RAILWAY BUILDING

The immigration question and the land question, it has been implied, were inseparably bound up with the problem of procuring transportation facilities. The vacant wastes could never be peopled, the scattered provinces linked in common interest, nor the markets of the world brought within cheap and convenient reach, except by extensive building of road and canal and railroad. Private enterprise did much to provide the facilities required, but halted at the greater tasks. The bitter experience of English shareholders with the Grand Trunk fiasco, wherever the responsibility for failure lay, made capital fight shy of Canadian railroad schemes; reasons of state forbade the development which in time private efforts would have effected—opening up communication through United States territory; the all-Canadian routes east and west did not promise rich immediate returns. Perforce the state was left to take the initiative and the burden.

In a previous generation canal-building had been the notable public achievement. The existing canals were maintained and improved after Confederation, but no extensive innovations were made, the chief advance being the deepening of the Welland to twelve feet. Proposals for constructing the Baie Verte canal, to connect the Bay of Fundy with the Gulf of St Lawrence, were widely discussed through the seventies, but the scheme was abandoned in favour of a ship railway which swallowed up much private and public capital before it was at last pronounced impracticable. The existing canals had not been as successful in attracting the trade of the western states as had once been hoped, and in any event canals could be of little use in linking Nova Scotia and British Columbia to Central Canada. The dream of utilizing the water stretches of the western plains clung per-

sistently to many Canadian public men, notably to Mackenzie, but time proved its futility. The day of the railroad had definitely come. In the east the patchwork beginnings of the Intercolonial were taken over by the Dominion government, and the road pushed to completion in 1876, forty weary, hope-deferred years after the provinces first began to fill the dusty pigeon-holes of the Colonial Office with prayers for aid in its construction. In the west the vague aspirations for a transcontinental line had taken practical shape when its construction within ten years was made a condition of the entrance of British Columbia into the Union in 1871. The dramatic story of that road, the fluctuation between construction by the state and construction by a state-aided private company, the merits of the final bargain, the engineering difficulties met and conquered, the reputations made or blasted in the bargaining and building, is told elsewhere. Here it is sufficient to note the chief stages in its progress—the failure of the Allan project of 1873 after the Pacific Scandal revelations; the continuation of the surveys, and the construction by the Mackenzie government of the Pembina branch from Emerson to St Boniface, connecting Winnipeg with St Paul, and part of the road from Lake Superior to Winnipeg; the temporary continuation by the Macdonald government of the policy of state construction; the decision to transfer the task to a private company; the consequent bargain made with the Canadian Pacific syndicate in 1881, and the energetic completion of the road in 1886.

COMMERCIAL LEGISLATION

Important legislation affecting commerce was put on the statute-book in these early years. The Rose-King proposals of a bond-secured bank currency came to nothing, but the banking act passed in 1871 gave the security desired without sacrificing the unique economy and flexibility of the Canadian system; ten years later, after the bitter experience of bank failures in 1879, bank-notes were further secured by being made the first charge on the bank's assets. The clamour for the 'rag baby,' or irredeemable paper money, imported from

the United States along with the cry for protection, and linked in advocacy with it, failed to gather strength in Canada. A Dominion insolvency act was passed in 1869, intended to secure the two cardinal aims of bankruptcy legislation—equitable distribution of assets among the creditors, and final discharge of the debtor. Complaints of its abuse by fraudulent debtors led to amendments in 1875 abolishing voluntary assignments, making discharge optional with the court unless the estate realized thirty-three cents on the dollar—raised to fifty two years later—and regulating more stringently the powers and duties of official assignees. The law was cumbersome, and in the commercial crashes of the late seventies it was held responsible for much of the laxity and fraud that prevailed; its critics would not accept amendment, but repealed the act entirely in 1880. Since that date the tradition that an insolvency act encouraged insolvency, objections from the farmers to being refused the privileges granted by the act only to 'traders,' and pressure from the banks, fearful of losing first claims, have prevented new legislation by the Dominion, though the provinces, exercising their partly concurrent power, have passed acts which for the most part prevent fraudulent preference, but cannot provide for the discharge of the debtor. In 1869 the patent law was amended by abolishing the requirement of one year's residence in Canada for obtaining a patent, and substituting a provision that the patent would be forfeited unless manufacture was begun in the Dominion within three years, or if importation by the holder of the title was continued more than eighteen months—periods reduced to two years and one year respectively in 1872. In 1873 the Joint Stock Act was consolidated, and operations by this increasingly important instrument facilitated.

THE FARM : THE COMING OF CHANGE

In the early years after Confederation farming in Canada was in a transition state. Grain-growing was less profitable than in the golden age of the fifties and sixties, when the open United States market and the Crimean War had given

the newly cleared lands of Central Canada rapidly rising value. It had not yet come to be as profitless as in the dark days of the eighties and nineties, when from all quarters of the globe an avalanche of grain poured upon the central markets and forced down prices in its sweep. The adoption of mixed farming was becoming inevitable, and the beginning or the continuation of the development of the live stock industry, the beginnings of dairy industry and fruit-farming mark this period, and give it importance as the forerunner of the more extended efforts that were to follow.

The forces available for production grew; the four hundred and eighty thousand engaged in farming in the four original provinces in 1871 had become six hundred and twenty thousand in 1881, and newer sections held nearly forty thousand more; the land occupied increased from thirty-six to forty-one million acres in the four provinces, and forty-five in the whole Dominion, while the land improved rose from seventeen to twenty and twenty-two million acres respectively. Comparatively little was done to increase the farmer's skill and knowledge of his craft; some voluntary associations, notably the Ontario Fruit-growers' and Dairymen's Associations, did useful missionary work, and in the central provinces the government supplemented their efforts, but, with the exception of the founding of the Ontario Agricultural College at Guelph in 1874, the state, federal and provincial administrations alike, gave as yet little leading. Enterprising pioneers, such as Farrington and Graham, Read and Ballantyne, rendered invaluable service to the dairying industry, while men like Cochrane and Brown, whose imported short-horn herds were unsurpassed in the world, blazed the way for their less progressive fellows. Markets shifted. The abrogation of reciprocity checked the demand for live stock and animal produce, though not seriously affecting the trade in barley and oats. The development of transportation facilities opened up a new and profitable trade in shipping live stock to Great Britain, while the completion of the Intercolonial fostered interprovincial trade in foodstuffs.

The land west of the Great Lakes contributed little as yet to the world's markets. British Columbia showed relative

progress, especially in sheep and cattle ranching, the area in pasture exceeding the area under crop in this alone of the provinces ; for the most part the Pacific province was still in the stage of gold and furs, sealskin and salmon shipping, the stage of the Alaska of thirty years later. In the valley of the Red River and of the Assiniboine and even the Saskatchewan, settlers were breaking the prairie, some endeavouring to imitate the bonanza farms of the states to the south in their ambitious working ; wheat alone was grown, and not yet in quantities appreciably beyond home consumption ; cattle were grazed on the open plains.

In the Atlantic provinces there was steady and healthy progress, alike in wheat-growing, stock-raising and fruit-growing. Yet agriculture continued to be a side-issue except in Prince Edward Island, and the three provinces were not even self-sustaining. Ontario and Western Quebec were still as all-important in farming as Nova Scotia in fishing, and of the two provinces Ontario continued to overshadow in commercial importance her neighbour's more self-sufficient economy. The distinctive features of these years were the remarkable expansion of the cheese and live stock industries. The time was ripe for a change. Exhausted lands and growing competition gave warning against reliance on wheat ; the soil and climate of Ontario and the Eastern Townships were admirably adapted for both industries ; the opportune importation of cheese factory methods from New York State, and the simultaneous development of steamship facilities for shipping cattle, along with a dearth in Great Britain from plague and bad weather, brought the favourable conjuncture. In 1873 not a beast was shipped from Canada to Britain ; by 1880 more than thirty thousand cattle and one hundred thousand sheep were crossing the sea. In 1864 the first cheese factory had been started in Oxford County ; by 1880 there were nearly five hundred in operation, shipping forty million pounds to the United Kingdom. In cattle there was much room for improvement in the quality, the great majority of farmers continuing year after year to raise common scrubs instead of good grades, but in cheese a high level was rapidly reached, as Canadian success at the Philadelphia Centennial

Exhibition in 1876, and the carrying off by Canadians of the sweepstake prizes at the New York International Dairy Fair in 1879, duly showed. Fruit-growing began to attain important dimensions, especially in the Niagara peninsula; we find in 1888 seventy thousand baskets of peaches shipped from Grimsby; but to the average farmer fruit continued an incidental by-product of his general farming, and not even a profitable by-product. In the words of the Ontario Agricultural Commission of 1881, words which have wider application than merely to Ontario and to fruit-growing, 'what has been planted has often been planted without judgment in the first selection; what has been grown has been inferior because uncultivated and left to chance; what has been marketed has been profitless because ill-gathered and damaged by insects or rough usage.'¹ But a better day was dawning.

THE GROWTH OF THE FISHERIES

The fisheries showed steady growth. In 1869 the commercial catch of the Dominion was estimated at a value of nearly four and a half million dollars, in 1872 at nine and a half, and in 1877 at twelve. The newly organized federal department of Marine and Fisheries exercised a helpful vigilance, proclaiming close seasons to protect the spawning fish, issuing licences specifying the kind and mesh of net allowed, and prohibiting obstruction and pollution of the rivers. Following up the private initiative of men like Wilmot of Ontario and Holliday of Eastern Quebec, the government undertook artificial hatching and distributing of fry on a large scale. On the Pacific coast the salmon-canning industry now began to attain commercial importance, the product exceeding one hundred thousand cases in 1878. In the frontier Great Lakes the yield of whitefish and trout had fallen with reckless overfishing. On the Atlantic coast, aside from the inevitable ups and downs of changing weather and varying runs, the staple fisheries expanded. In 1873 Lunenburg vessels began to sail to the banks for deep-sea fishing. The other notable feature of the Atlantic industry was the

¹ *Report of the Ontario Agricultural Commission, 1881, p. 111.*

growth of lobster-canning ; United States canners, after the exhaustion of the north-east coast fisheries, turned to the last great lobster fishery of the world, the Canadian coast, where such was the abundance that storms often cast up rows five feet high for long stretches of the shore. The canneries rapidly multiplied, and by 1878 their output exceeded a million and a half in value. The cod, the mackerel, the herring, the lobster and the salmon, were in this period the chief sources of the fisherman's prosperity.

THE MINE : UNDEVELOPED RICHES

Mining made slow progress. Sometimes showy surface veins failed to hold depth and richness ; sometimes there was a lack of capital ; sometimes a superabundance of capital, wasted in extravagant preliminary outlay by managers of distant English companies ; sometimes there occurred the inevitable mining and metallurgical difficulties presented by new deposits ; sometimes transportation problems ; sometimes the barring of the markets by hostile tariffs. Gold production fell ; in British Columbia the discoveries of Ominica in 1871 and Cassiar in 1874 temporarily restored the declining yield, but the richer gravels were soon worked over, and after 1881 the placer output fell below a million a year. The Quinte district of Ontario absorbed half a million of hopeful capital in three years, but gave little back ; the alluvial diggings of the Chaudière dwindled, especially after 1876, and in Nova Scotia small claims, wasteful methods, and neglect of the low-grade ores, contributed to bring about a fall from twenty-seven thousand ounces in 1867 to ten thousand seven years later. Silver afforded one brief gleam of romantic success. In 1868 a rich silver-bearing vein was found on an islet at Thunder Cape, part of a location belonging to the Montreal Mining Company, which for over twenty years had heroically persevered in its endeavours to develop the silver and copper wealth of the north shore. But the shareholders had come to the end of their patience, and, rather than raise fresh capital, they sold their rights to an American company for a quarter million. In four days the

new owners took out sixty thousand dollars' worth of silver, and in 1884, when working was suspended, the Silver Islet had yielded them over three millions. A fall in the price of copper deterred development both in Quebec and at Bruce Mines; failing deposits, wasteful methods of concentrating, high freights, played their part, though the Bruce Mines directors endeavoured to reduce the latter cost by shipping in steamers direct from Lake Superior to Swansea. Production of iron was arrested by the depression in the United States and the consequent loss of the chief ore-market.

Coal had been hard hit by the repeal of the reciprocity treaty. From 1866 to 1872 Nova Scotia's coal had to face a tariff of \$1.25 a ton, and from 1872 to 1894 75 cents; by 1872 the exports to the United States had fallen to one-third of their level in the era of reciprocity. Meantime new markets were being sought at home and in Ontario and Quebec, and gradually the lost ground was recovered. British Columbia, with a monopoly of the good coal on the Pacific coast, fared better, and home consumption and foreign shipments grew steadily. In Ontario the petroleum field continued to furnish spectacular developments. In 1868 the ruinous over-production, forcing prices of crude petroleum down to thirty cents a barrel, had been temporarily remedied by a bold stroke of Judge Higgins of Chicago, aided by Kingston and Hamilton capitalists; the combination bought the existing stock of oil, and bought or leased the fifty oil refineries, binding the refiners not to manufacture except for export. In 1869 the Oil Refiners' Association endeavoured to carry out the same policy, agreeing with the well-owners, who also organized an association, to share profits conditionally on receiving their whole output; production for home consumption was strictly limited, and every effort made to develop a foreign trade. Temporary success followed; by 1870 the home trade absorbed 2,700,000 gallons and the European markets 7,000,000. But the processes of deodorizing used were expensive and not entirely successful; in 1873 the discovery of deep-level oil in Pennsylvania, with flowing wells yielding their thousand barrels a day, of better quality for illuminating, though not for lubricating, purposes

than the Canadian oil, killed the export trade. The home market was protected by a duty of fifteen cents a gallon, offset in part by an excise tax of six cents, which had been imposed in 1868 at the instigation of the refiners' ring, to raise the price of the large stocks they had on hand, and which served later as a check on the production of rival refiners—'the only means they had of keeping one another honest.'¹ In spite of this and other expedients it was impossible to keep the association together, though throughout the seventies repeated endeavours were made to secure combined control either through the refiners or through the producers of crude oil : the industry fell to lower levels. Meantime the neighbouring salt industry had attained importance. The Onondaga Company of New York attempted in 1869 to crush out the rising Ontario industry, as it had attempted to crush out the Michigan development, by underselling. A clamour arose for protection, and the short-lived National Policy tariff of 1870 afforded this for a time ; then, without a duty, the men of Huron succeeded in facing and driving out their competitors, and even in 'dumping' in the United States in their turn. In salt as well as in oil, over-production led shortly to combination.

MANUFACTURES : EXPANSION ON OLD LINES

The manufacturer shared in the nation's prosperity until 1873, and shared in the depression that followed. In the earlier years there was marked progress on established lines. The scale of operations grew steadily. Little foreign capital was utilized ; the rapid profits of existing businesses and the multiplying of banks eager for custom, provided the funds for expansion. 'There isn't a manufacturer of us all,' declared one of the most successful pioneers in the flourishing agricultural implement industry in 1876, 'who hasn't come up from five dollars.'² But in the later seventies manufacturers at best marked time. The industries which suffered most were those which depended on foreign markets, such as the

¹ E. D. Kirby, *Proceedings of Dominion Board of Trade*, 1873, p. 57.

² F. T. Frost, *Report of House of Commons Committee on Depression*, 1876, p. 120.

lumber trade, or which were exposed to the competition of English textile manufacturers, or United States hardware or furniture makers or jobbers; or those in which high profits had tempted excessive domestic investment, such as the boot and shoe industry.

The working up of the products of the farm continued to hold first place in manufacturing activity. Flour-mills, distilleries and breweries rested on local supplies; tanneries and woollen-mills found it necessary to supplement home by foreign materials of kinds not produced in Canada, the balance being redressed by the export of Canadian hides and long-combing wools. Good prices and exhaustion of land by incessant wheat-growing having induced Western Ontario farmers to turn to the cultivation of flax, linseed-oil mills started up to utilize the seed, and scutching-mills to work up the fibre. The most notable development in the utilization of farm products was the rapid growth of cheese factories in the central provinces, a movement already noted in the survey of agricultural progress; as a matter of fact, cheese-making is as much a branch of manufacture as flour-milling, but its later divorce from the farm, its rural location, and its control frequently by co-operative societies of farmers, have usually led to its classification under farming activities. The pork-packing industry witnessed interesting changes. Slaughtering at the factory instead of at the farm became more general.¹ The invention of refrigerating processes made summer packing possible, and lengthened the packing year from four months to twelve. Canadian hogs, pea and barley fed, could not compete in cheapness with United States corn-fed products in the fat-pork-consuming lumber camps, and were too fat for the discriminating taste of the English market; accordingly, pending the education of the Canadian farmer in the

¹ Evidence that 'Jungle' methods are not new in the world is found in a reference by a leading Canadian packer to the conditions prevailing before the coming of the practice of slaughtering at the packing-houses. 'The hogs are frozen and taken to the country stores, piled up like cordwood and gnawed by hogs, dogs, cats and rats. They are covered with dust and dirt, pitched about with no more care than cordwood, kept in a country warehouse for two or three weeks, sometimes months, and then are brought here by railway; and by the time they reach us they are more like carrion than human food.'—William Davies in *Report of Ontario Agricultural Commission, 1881*, p. 338.

raising of small lean bacon hogs in steady and sufficient numbers, Canadian packers imported United States hogs in bond, and exported hams and bacon to Great Britain.

Cotton-manufacturing prospered ; between 1867 and 1877 the number of spindles grew fourfold, makers of greys drove their English rivals out of the field, except in 'slaughter' markets ; mills were fitted up with dye-houses, and checks and coloured shirtings were added to the plain grey staple. The boot and shoe industry was transformed by the adoption of the M^eKay sewing process in place of wooden-pegging methods, which in their earlier days had seemed a wonderful advance.

Little metallurgical advance can be recorded. An experiment at Marmora in 1875 in the use of petroleum in smelting iron added variety to the list of failures. The ores of Eastern Ontario continued to be shipped across the lake to furnaces in United States border cities. In timber industries the most notable developments were afforded by shipbuilding. An important change came when ships were built for trade and not merely for sale ; Yarmouth skippers were seen in every port from Hamburg to Hong-Kong, and in proportion to population Nova Scotia led the world, not only in shipbuilding but in navigation. By 1878 the Dominion possessed over 1,300,000 tons registered shipping, ranking fifth among the nations. But already the climax had been passed ; the iron sailing-ship or steamship, more durable and entitled to lower insurance rates, and later the steel steamship, drove the wooden clipper from the high seas, and the chief industrial glory of the provinces down by the sea departed.

COMMERCIAL RELATIONS WITH THE UNITED STATES

External trade relations divided attention with questions of internal development. In the early days of Confederation, with the memory of the Reciprocity Treaty of 1854-66 still green, foreign trade relations meant almost exclusively relations with the United States. Along the common three-thousand-mile border there were many points of friction where diplomatic oil was constantly needed. In the days of

provincial isolation and lack of home markets, admission to the markets of the United States seemed to the majority the only panacea for Canada's ills. The matters at issue between the two countries were threefold—fisheries, transportation, markets. In the earlier negotiations it was generally conceded that Canada held the trump cards on the first two points, and the United States on the third. The Dominion had rich treasures in her inshore Atlantic fisheries—the Pacific waters were still unharvested—within the three-mile limit, where her rights had never been questioned; the shore fisheries on the United States eastern coast were nearly exhausted. The Dominion, joint owner of the Great Lakes and upper St Lawrence, and owner of the majority of the canals along the lake and river system, controlled the natural outlet of the products of the western states. In markets, on the other hand, the prevailing acceptance of the producer's standpoint brought general admission that the smaller nation had more to gain from reciprocal freedom of trade than the larger; in Canada, however, the mutual gain was magnified, the indispensableness of the United States outlet denied, and the advantages to the republic proved by dubious reasoning as to favourable balances of trade; in the United States the benefit of reciprocal entry of natural products was held to be entirely Canada's, and free admission of manufactured products essential to redress the balance.

Throughout the negotiations summarized in the accompanying table, the Canadian policy was definite and broadly uniform. It consisted in pressing hard the advantage in fisheries and transportation to purchase as good a bargain as might be in the markets. This policy is frankly summarized in the protest made by the Macdonald administration in 1871 to the British government against the acceptance of the Washington Treaty:

The Committee of the Privy Council may observe that the opposition of the government of the United States to reciprocal free trade in the products of the two countries was just as strong for some years prior to 1854 as it has been since the termination of the Reciprocity Treaty, and that the Treaty of 1854 was obtained

als,	Unrestricted Reciprocity Proposals, 1888	Foster-Thompson-Bowell Negotiations, 1891-92	Joint High Commission, 1898	Negotiations, 1905-11
	As in 1854-66.		Same; and settlement of Bering Sea seal question.	Commission for regulation of border fisheries (1908 draft treaty). Reduction of <i>modus vivendi</i> licence to nominal fee of one dollar (1911 Reciprocity negotiations). Hague Arbitration of Atlantic fisheries dispute, 1910. Settlement of Pacific seal dispute, 1911.
	Same.	Same. Reciprocity in coasting trade and in salvage.	Same. Same.	Joint commission for regulation of international traffic rates proposed, 1910. Waterways Commission to control questions regarding navigation, power, and sanitation in boundary waters, established 1905-9.
be- ates nla- inst boli- uses n of dis- inst	Complete free trade between United States and Canada; no assimilation of tariffs; maintenance of custom-houses; no division of customs revenue; probably discrimination against United Kingdom.	Renewal of the treaty of 1854-66, with the modifications required by the altered circumstances of both countries, and with the extensions deemed by a joint commission to be in the interests of Canada and the United States. No discrimination against United Kingdom.	Same. Preferential tariff on statute-book.	Payne-Aldrich maximum tariff negotiations, ending in exchange of United States minimum for Canadian general tariff, 1910. Reciprocity in bulk of natural products, on free list or reduced duties; reduction of duties on specified list of manufactures; recognition of Canada's preference to United Kingdom; proposals defeated, 1911.
		Treaty.	Treaty.	Concurrent legislation in latter case; otherwise by treaty.

COMMERCIAL NEGOTIATIONS WITH THE UNITED STATES, 1854-1911

Subject	Reciprocity Treaty, 1854-66	Galt Negotiations, 1865	Galt-Howland Negotiations, 1866	Rose Negotiations, 1869	Washington Treaty, 1871	Brown-Fish Draft Treaty, 1874	National Policy, Statutory Offer, 1879	Tupper Negotiations, 1887	Commercial Union Proposals, 1887	Unrestricted Reciprocity Proposals, 1888	Foster-Thompson-Bowell Negotiations, 1891-92	Joint High Commission, 1898	Negotiations, 1905-11
FISHERIES.	Reciprocal right to take and cure fish on Atlantic coasts, of United States north of 39°, and of Canada, New Brunswick, Nova Scotia and Prince Edward Island.	As in 1854-66.	As in 1854-66.	As in 1854-66.	As in 1854-66, except that United States coast fisheries were opened only north of 39°. United States to pay money compensation for superior value, if any, of access to Canadian fisheries.	As in 1854-66; fisheries arbitration to be dropped. Joint commission for protecting and propagating fish in joint inland waters.	1871 treaty still in force.	As in 1854-66. <i>Modus vivendi</i> , admitting United States ships to port and bait privileges on payment of licence.	As in 1854-66.	As in 1854-66.		Same; and settlement of Bering Sea seal question.	Commission for regulation of border fisheries (1908 draft treaty); Reduction of <i>modus vivendi</i> licence to nominal fee of one dollar (1911 Reciprocity negotiations). Hague Arbitration of Atlantic fisheries dispute, 1910. Settlement of Pacific seal dispute, 1911.
TRANSPORTATION.	Canada gives free navigation of St Lawrence and use of canals on same terms as to its own citizens; United States grants free navigation of Lake Michigan, and agrees to urge States of New York and Michigan to open state canals on equal terms.	As in 1854-66. Canada also to improve canals; inland waters to be made common highway, maintained at joint expense. Reciprocity in coasting trade and in bonding transit trade.	As in 1854-66, and canal improvement.	As in 1854-66.	Canada gives free navigation of St Lawrence for ever, and use of canals on equal terms during life of treaty; United States grants navigation of Lake Michigan and St Clair Flats canal for term, and of Alaskan rivers for ever; agrees to urge state governments as before. Reciprocal bonding privileges.	Same: Canada agrees to enlarge Welland and St Lawrence canals, and to build Caughnawaga canal. Reciprocal coasting trade on lakes.	1871 treaty still in force.	Settlement of bonding and canal issues.	Same.	Same.	Same.	Same.	Joint commission for regulation of international traffic rates proposed, 1910. Waterways Commission to control questions regarding navigation, power, and sanitation in boundary waters, established 1905-9.
MARKETS AND TARIFFS.	Reciprocal free admission of nearly all natural products, of farm, forest, mine and sea. Discrimination against United Kingdom and other countries on some minor commodities.	As in 1854-66, except that Canada is to consent to imposition by United States of customs duties equivalent to excise levied. Certain manufactures reciprocally free; also free from England. On liquors, tobacco, and other goods to be agreed upon, the two parties to assimilate rates of duty, and divide revenue.	Same.	Same.	Fish and fish-oil reciprocally free.	Reciprocal free admission of natural products, also of specified manufactured articles, by sliding-scale reduction of existing duties; Canada to grant same terms to United Kingdom.	Reciprocal free admission of specified natural products; renewing, with variations, offer made in first Confederation tariff.	'Not an offer of unrestricted reciprocity, but an unrestricted offer of reciprocity.' — Sir Charles Tupper.	Complete free trade between United States and Canada; assimilation of tariffs against other nations; abolition of custom-houses on border; division of customs revenue; discrimination against United Kingdom.	Complete free trade between United States and Canada; no assimilation of tariffs; maintenance of custom-houses; no division of customs revenue; probably discrimination against United Kingdom.	Renewal of the treaty of 1854-66, with the modifications required by the altered circumstances of both countries, and with the extensions deemed by a joint commission to be in the interests of Canada and the United States. No discrimination against United Kingdom.	Same.	Payne-Aldrich maximum tariff negotiations, ending in exchange of United States minimum for Canadian general tariff, 1910. Reciprocity in bulk of natural products, on free list or reduced duties; reduction of duties on specified list of manufactures; recognition of Canada's preference to proposals defeated, 1911.
DURATION.	Ten years' treaty, plus one year's notice.	Concurrent legislation, terminable at will.			Ten years' treaty, plus two years' notice.	Twenty-one years' treaty, plus three years' notice.	Concurrent legislation.	Treaty.			Treaty.	Treaty.	Concurrent legislation in latter case; otherwise by treaty.

Name of Debtor	Address of Debtor	Description of Property	Amount of Debt	Date of Maturity
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Subscribed and sworn to before me this [illegible] day of [illegible] 19[illegible].

Notary Public for Texas.

chiefly by the vigorous protection of the fisheries which preceded it, and that but for the conciliatory policy on the subject of the fisheries, which Her Majesty's Government induced Canada to adopt after the abrogation of the Treaty of 1854 by the United States, it is not improbable that there would have been no difficulty in obtaining its renewal.¹

A brief review of the negotiations during this period, including for continuity's sake a year or two before Confederation, shows the tenacity with which this policy was followed by Canadian negotiators, of whichever section or party, and how closely the questions of fisheries, canals and markets were connected.

CANADIAN EFFORTS TO RENEW RECIPROCITY

When in 1864 the cumulative effect of anger at British and Canadian sympathy with the South, rising protectionist sentiment, pressure of internal taxation, aggrieved sectional interests, and the absence from Congress of the low-tariff southerners led the United States to give notice of the abrogation of the treaty of 1854 at the earliest possible date, March 17, 1866, the colonial ministries somewhat tardily prepared to meet the emergency. In 1865 four members of the cabinet of the Province of Canada went to England to confer with the British government as to federation, defence and reciprocity, and secured the promise of the good offices of the British ambassador at Washington. In September of the same year representatives of all the North American colonies met at Quebec, forming the Confederate Council on Commercial Treaties. After making arrangements for dispatching a commission to the West Indies and South America to find a new outlet for their threatened trade, they drew up resolutions in favour of a reciprocity treaty, with any reasonable modifications the United States might urge. In November A. T. Galt, minister of Finance in the Canadian coalition cabinet, carried on negotiations at Washington,

¹ Correspondence on the Treaty of Washington, *Canadian Sessional Papers*, 1872, No. 18.

informal and tentative, but significant of the length the government was willing to go, or at least to discuss: they covered reciprocity in fisheries, canals, coasting trade and exchange of natural products, subject to imposition by the United States of customs duties to balance the heavy internal revenue tax levied on home-grown products. While Britain's interests were guarded by providing that certain manufactured goods, to be free between the two countries, were to be free when from Britain also, Galt contemplated, so far as liquors, tobacco and other goods were concerned, a measure of commercial union, with assimilation of tariffs against transatlantic imports and equitable division of receipts. The agreement was to be enacted by concurrent legislation, which, in the view of George Brown, 'would keep our people dangling from year to year on the legislation of Congress, looking to Washington instead of to Ottawa.' Galt withdrew his memorandum, but Brown, not appeased, resigned from the cabinet. The following month, January 1866, Galt and W. P. Howland, representing Canada, Smith for New Brunswick and W. A. Henry for Nova Scotia, opened negotiations in Washington with the Ways and Means Committee of the House of Representatives. Agreement was reached on the principles—practically the *status quo* in fisheries and transportation, with customs duties to balance internal revenue taxes—but in the detailed application the House Committee showed by the excessive rates proposed, ostensibly to balance excise duties, not less than by the free list suggested, burr millstones, grindstones, rags, gypsum and firewood, that they were indifferent whether or not a bargain was struck. The provincial delegates had no choice but to decline, and negotiations ended.

To this rebuff the Province, and later the Dominion, of Canada gave a soft answer. 'The provinces,' according to George Brown, 'believed in the practical good sense of the United States people, especially with such a balance-sheet to look back upon as the results of the treaty of 1854 present. They assumed that there were matters existing in 1865-6 to trouble the spirit of American statesmen for the moment, and they waited patiently for the sober second thought which

was sure ere long to put all things right.'¹ The privileges granted the United States under the treaty were continued after the treaty: the St Lawrence and Canadian canals remained open to American commerce—incidentally because Canada wanted nothing less than to lose her share of the carrying trade of the western states; nearly all the articles free by treaty were allowed to come in still duty free, as for the most part they had been free before the treaty was made; and finally, unwillingly, and only in deference to the Colonial Office, the freedom of the shore fisheries was continued on payment of a licence fee, gradually increased from fifty cents to two dollars a ton—a payment which many of the United States vessels using the fisheries refused to make.

Meantime negotiations continued. In 1869 Sir John Rose, minister of Finance in the Macdonald administration, renewed practically the Galt terms of 1865; it was later alleged by L. S. Huntington, on first-hand authority, that Rose agreed to enter a *zollverein* discriminating against Great Britain; Sir John Macdonald denied the statement, but the details of the negotiations and the cause of their failure are shrouded in mystery. There followed a brief experiment in retaliation in the imposition in 1870 of duties on coal, salt and breadstuffs, but Canadian public sentiment was as yet averse to protection of natural products, and while Sir John Macdonald was in Washington his colleagues in the cabinet abandoned the experiment, and even joined in voting down a resolution to retain the duties to serve as makeweights in the pending negotiations with the United States. These negotiations, originating in Canada's suggestion of a conference to determine the exact rights of each country in the shore fisheries under the convention of 1818, had been widened to provide for a settlement of the Alabama claims, then straining relations between the United Kingdom and the United States. Sir John Rose had been active in the negotiations leading to the establishment of the Joint High Commission agreed upon, and Sir John Macdonald was appointed one of the five British commissioners; so far was Canada's share in the control of her foreign relations recog-

¹ *Memoir on Proposed Reciprocity Treaty, 1874.*

nized. So far, but so far only; Sir John Macdonald, fighting manfully for a settlement on the orthodox lines of free fisheries and canals in return for free markets, received little backing from his colleagues, who, in his classic phrase, 'had but one thing in their minds, to go home to England with a treaty in their pockets settling everything, no matter at what cost to Canada.' Reciprocity in trade, in coasting privileges and in registration of vessels was summarily rejected; Canada's claim for redress for the Fenian raids was not even considered; the fisheries question was settled by itself, each country opening its fisheries and its markets for fish and fish-oil, with provision for a money compensation to Canada to be determined by arbitration, to balance the greater privileges she thus offered. The settlement was greeted by a storm of opposition in the Dominion; the Maritime Provinces doubted the possibility of securing adequate money compensation, the western provinces deplored the loss of their lever for prizing open the United States market, all denounced the unfairness of rejecting the claims in respect of the Fenian raid. There was, of course, much mere party manœuvring behind the criticism, but the cabinet itself, in Colonial Office correspondence, was foremost in denunciation. Finally the Canadian parliament accepted the arrangement, Sir John Macdonald soundly urging sacrifice in the interests of the Empire.

When the Mackenzie administration came into power, it found it had inherited the duty of proceeding with the fisheries arbitration. Consistently with settled tradition, it decided to attempt to reopen the whole question of commercial relations, and secure open markets instead of an uncertain and probably irritating money payment. Accordingly in 1874 George Brown was appointed by the British government joint plenipotentiary with Sir Edward Thornton, ambassador at Washington, and negotiations were opened with the State department. Brown had at last the task his ambition craved and his talents warranted. However awkward a cabinet colleague, however extreme a political partisan, he stood out in these negotiations as the ablest and sturdiest in the long line of Canada's commercial ambassadors.

He began by preparing a strong memorandum, showing most convincingly the benefits which the former reciprocity treaty had brought to the United States, and disabusing the popular mind of the impression that Canada had nothing left to offer ; he made it clear that Canada could and did prosper without reciprocity, but would prosper more with it. His newspaper experience enabled him to utilize to the full the forces of advertisement, with such success that hostile critics on both sides of the line had to fall back on the baseless charges of secret service funds to explain the backing won from leading United States journals. A draft treaty was drawn up by Brown and Secretary Fish, and submitted to the Senate for an opinion, but that elusive body adjourned unexpectedly early without taking action ; in the following session the proposal failed to secure assent, preoccupation with the currency question combining with the staple anti-reciprocity forces to prevent ratification.

The proposed treaty was as loudly discussed in Canada as the Washington Treaty ; it met strong criticism not only in partisan quarters but from important commercial and manufacturing interests. Yet, looking back to-day, one must consider the Brown-Fish project the most advantageous put forward by responsible statesmen in the long line of reciprocity negotiations. Fisheries and natural products were settled as in 1854 ; the coasting trade of the lakes was thrown open ; the reciprocity of river and canal navigation arranged by the Treaty of Washington was continued, and Canada agreed to enlarge her canals—a measure at least as much in her own behoof as in that of the United States, and bitterly attacked by New York State forwarding interests. An important list of manufactured goods was to be free, chiefly textiles and manufactures of iron and leather ; the reduction of duties was to be spread over three years, according to a sliding scale agreed upon. Probably some temporary difficulty would have been met by Canadian manufacturers in competing in some of the commodities covered, especially those involving heavy capital expenditure ; but given a twenty-four years' assurance of the United States market, given the continuance of Canada's lower duties on raw

materials, and there is not a shadow of doubt that British capital would have poured in to seize the unique opportunity offered by this combination of low cost of production and access to the markets of the whole continent, and would have made Canada the manufacturing centre of America. There was no discrimination against British goods, no pooling of revenues, no sacrifice of national control of fiscal policy. The valid objections to the treaty—besides the fatal objection that it was too fair to Canada to find favour with the United States Senate—were the loss of revenue involved, specially serious in the lean years just beginning, and the administrative difficulties involved in the free admission into Canada of treaty commodities from the United Kingdom and the most favoured nations; neither difficulty need have proved insurmountable. The treaty failing, the fisheries arbitration was resumed, and, thanks to the insistence of the Mackenzie government in appointing an able Canadian representative, Sir A. T. Galt, Canada received an award far beyond her earlier expectations.

The 'sober second thought' of the United States was slow in coming. Many reasons combined to make all Canada's proposals come to nothing. There was the indifference of a preoccupied, prosperous, self-satisfied and provincial people. There was the strength of protectionist feeling, the hostility of special interests, lumber or shipping or mining, and the hostility of protectionists in general, opposed to any breach in the tariff wall, and especially one made at the expense of the farmers, who must at all costs be kept in the belief that they too shared in the benefits of 'protection all round.' There was the doubtless genuine feeling that any bargain Canada proposed was sure to be one-sided; it is curious to observe the persistent belief in each of the countries concerned that its case was rooted in immutable justice, but that its negotiators were as babes in the hands of the wily and unscrupulous representatives from across the border. Political factors were not wanting—the traditional animosity against Great Britain, and the delusion that denial of a market would starve the Dominion into seeking political union; the belief that annexation was Canada's manifest destiny was strongly held by men of the prominence of Sumner

and Sherman, and had sometimes met half-assent from British cabinets of pre-imperialist days. Sentiment there was for a *zollverein*, but for any less complete measure of reciprocity little as yet except in some commercial centres west and north, and accordingly all negotiations came to nothing.

EARLY TARIFF POLICY

Meantime the tariff policy of Canada, of which the question of reciprocal relations with the United States was but one special phase, was undergoing a marked and significant change, a change in its turn inseparably connected with the trend of trade, the ups and downs of the commercial barometer. The Dominion began its fiscal career under the slightly modified tariff of the old Province of Canada. After a period of low revenue tariffs, William Cayley and Galt had introduced a distinctly protective element into the Canadian budgets of 1858 and 1859, the prevailing rate adopted in the latter year reaching the unprecedented level of twenty per cent. While the authors of these changes were careful to repudiate the policy of out and out protection, they declared their satisfaction if duties absolutely necessary to meet revenue needs should incidentally encourage home industry. This policy, known in a phrase of Hincks as 'the policy of incidental protection,' is well summarized in Galt's budget speech of 1866: 'The policy of this country has been to make every article of natural production imported into the province free, and for revenue purposes to impose duties on all those manufactured articles which it was thought were able to bear the burden, affording at the same time an incidental amount of protection to our own manufacturers.' For seven years, barring some minor freer trade variations in 1862, this tariff policy prevailed without substantial change. Then, on the eve of Confederation, it fell to the lot of Galt to introduce the tariff which was to form the basis of the Dominion's policy, and which was destined to endure in its main features until 1879.

With his accustomed clearness, Galt, in introducing the

budget of 1866, laid down the principles which had guided his action ; the general endorsement of contemporary assent and later acceptance makes it important to note what those principles were. Canada, Galt declared, had come to the parting of the ways ; she must choose between the American system of high protection and the English and European system of revenue duties. If the Canadians were to copy in every respect the commercial policy of the United States, they might as well join political forces also ; but if, as all hoped and determined, two separate and distinct nations were to be built up on this continent, it would be well to adopt distinct fiscal systems. Cut down duties on manufactured goods—unfortunately they could not at present be entirely abolished—make Canada a cheap country to live in and a cheap country to produce in, give Canadian manufacturers low taxes, low labour cost and cheap raw material, and instead of being given control of the single and limited market of Canada, they would be enabled to compete on favourable terms in the markets of the world. Immigrants and capital would flow to Canada rather than to the United States. Further, such a reduction of duties would clear the path to Confederation by assimilating the tariff to the lower rates of the Maritime Provinces, and would be more consistent with the relations and obligations of Canada to the mother country.

In this tariff of 1866, adopted next year in substance as the first tariff of the Dominion, the rate of duties on the great bulk of manufactured articles was reduced from twenty and twenty-five to fifteen per cent. The duty on tea and the customs and excise duties on spirits were increased. Manufactures were encouraged by reductions in duty on semi-manufactured iron, and by the addition of certain manufacturers' materials to the already long free list. With some inconsistency, farm animals, butter and cheese, lard and tallow, wheat flour and coarse grains, were subjected to a low duty, mainly for the first time, as a measure of retaliation against the United States, and authority was taken by the government, though not utilized for two years, to impose an export duty on sawed logs to offset the effect of the imposition by

the United States of higher duties on lumber than on logs—an expedient fertile in precedent. On the whole, in spite of the freer trade tendencies of this revision, the tariff remained distinctly protectionist in effect, though, as compared with later developments, the range of articles covered was limited, the schedules simple, and the rates low.

THE EBB AND FLOW OF PROSPERITY

Later tariff developments, it has been noted, turned upon fluctuations in the country's commercial prosperity. The period from 1867 to 1879 nearly corresponds with one complete trade cycle, from prosperity through depression to prosperity once more. It had come to be expected, with half-fatalistic resignation—and the expectation doubtless helped to bring the prophesying true—that the commercial crises which had disturbed the world in 1816, 1825, 1837, 1847 and 1857, would continue to develop at ten-year intervals. Canada, for all its isolation and its far from complex trade and credit structure, could not entirely escape the effect of these world-shaking movements.

The first two years of Confederation were years in which industry and commerce marked time. In England the effect of the Overend-Gurney panic of 1866, following reckless expansion of the newly enfranchised joint-stock company, was still felt. In the United States there had come a brief halt after the outburst of optimism and enterprise which marked the close of the war. In the Dominion itself time was required for readjustment after the abrogation of reciprocity. But the depression was not serious or prolonged, and soon there began the hectic prosperity of the years 1869-73, years which witnessed in the United States practically a doubling of the railway mileage, in the United Kingdom a doubling of the price of iron and coal, thanks to America's and war-hampered Europe's abnormal demands, and in Germany, after the close of the war and the receipt of the French milliards, an outburst of speculative activity unparalleled in its history. In this growth Canada had its modest share. The chartered banks, strengthened by the

elimination of the Upper Canada and the Commercial, grew in number and activity; nineteen new banks began business between Confederation and 1874; the total capital grew from thirty millions in 1868 to sixty-six in 1876—a total, it is noteworthy, not again attained till a quarter-century had passed—and discounts increased in even greater proportion. Railway mileage in operation doubled in the same period; exports were more than half as great again, and imports advanced even more rapidly. Government revenues followed suit, increasing from thirteen millions to twenty-four in 1874. Much of the increase in values was nominal, due to rise of prices, but much was due to increased volume of trade.

This prosperity was the more welcome because of the fears which had been felt on all sides of the depressing effect of the abrogation of the reciprocity treaty. Canadian and United States observers alike were astonished at the success with which the Dominion recovered from the sudden blow. The success was due to two factors: the finding of new markets, interprovincial and British, and the retention in great part of the United States market in spite of tariff bars. In seven years exports to Great Britain doubled, the most notable increase being in agricultural, animal and forest products; the rapid development of the cheese industry, the extension of steamship facilities, the coincidence of bad harvests in the United Kingdom and good harvests in Canada, the sharp rise in prices, all tended to swell the volume and value of the transatlantic trade. In trade with the United States Nova Scotia was the hardest hit, her exports of coal and fish being greatly reduced, though the practice of selling the catch to New England fishing-boats, later to be entered as American-caught, lessened the blow. Wool suffered from rising duties and falling demand now that uniforms were no more required, and the cotton-fields of the South were again under the hoe. In lumber and barley, in which Canada for the time had a quasi-monopoly in the markets of the eastern states, the exports rapidly increased. The trade in wheat and flour had been, in the phrase of an official United States investigator, 'a commerce of convenience rather than of necessity,' both countries producing a surplus: the Maritime Provinces

had imported wheat and flour from the eastern states, sometimes of Ontario origin ; after the repeal this market was largely supplied direct by Ontario, though at some increase of price. Oats and peas and oat-fed stock Canada continued to export ; Indian corn and corn-fed hogs she continued to import. In the five years after abrogation the United States imported goods of practically the same value as in the five years before abrogation. The fact is that popular opinion has exaggerated the extent to which the absorption of the United States in the war struggle created conditions abnormally favourable for Canadian producers during the treaty's operation. The westward rush of immigrants to the free homesteads offered on the prairie, and the invention of labour-saving machinery, largely filled the gap made by the absence of the hundreds of thousands of producers at the front.¹ And though supply increased with the return of the soldier to the plough, demand out-footed it ; expansion was rapid on all sides ; the southern states were in the market once more ; the trade-disturbing fluctuations in the premium on gold had ended. Channels of trade had been worn deep in thirteen years of free intercourse, and tariff walls could not entirely check the current.

The gleam of prosperity was brief. Over-speculation brought its speedy nemesis. The crash was worst in the United States ; in September 1873 there came a series of colossal failures of banks heavily involved with expanding railroads ; bankruptcy succeeded bankruptcy—five thousand the first year, ten thousand in 1878 ; industrial depression followed financial panic ; demand shrivelled far below the output of the new establishments into which domestic and foreign capital had been poured ; factories closed by the thousand, and workmen were thrown out of employment literally by the million. Germany entered the worst crisis of its history hitherto, and in Austria the crash on the Bourse preceded the United States panic. France, with its sounder credit basis, suffered less, but Great Britain

¹ See in Fite's *Industrial and Social Conditions in the North during the Civil War*, a graphic picture of the remarkable prosperity and even increase in luxury in the North in this period.

experienced a paralysing reaction after the years of fevered activity.

Canada could not escape the maelstrom. Her shipping ceased to find employment in the foreign carrying trade, and returned to cut into the home coasting trade or lie idle at the wharves of Quebec or Halifax; the lumber industry, second only in magnitude to the agricultural industry, and especially important in the ready money it circulated and the wide employment it afforded, stimulated as it had been into rapid expansion by high prices and big profits, found the eastern United States market suddenly fall to little with the general cessation of building, and found that little perforce shared with increasingly aggressive competitors from Michigan. The malady spread, and soon production, trade, finance, exports and imports all approached a dead level. Then began six years of stagnation and hope deferred, making the heart sick. In Canada there was little of the financial panic witnessed in the United States, little too of the widespread shutting down of mill and factory. It was a time of forced economies, of vanished profits; what actual failures there were, and they were many and great, were mainly in commercial rather than in industrial circles. It was, in fact, very largely a traders' depression. There was no question that one of the foremost factors in the trouble was the excessive increase in numbers and activity of middlemen in Canada. Reckless increase of importations, especially of dry goods, together with the growth of banks competing for discounts, led to the multiplication of small retailers without capital or experience, and the granting of dangerously long credit: a commercial agency reported in 1869, perhaps with exaggeration, that there were more places selling dry goods in the town of Chatham, Ontario (population under six thousand) than in the city of Detroit. The consequence is seen in the list of failures in these years of depression, failures in which dry goods and general merchants, hardware dealers, lumber merchants and grocers led the van. This over-importation, for which English manufacturers and Canadian wholesalers were largely responsible, was supplemented after the depression had begun by the dumping of the surplus

products of American manufacturers, or rather American jobbers. Prices fell much more rapidly in the United States than in Great Britain, and this general fall, together with the occasional utilization of the Canadian market as a 'slaughter market,' in the phrase of the day, to avert still further fall at home, led to large importations at prices against which Canadian manufacturers found it difficult to compete. It is significant, however, that the most serious failures among the manufacturers were in the heavily protected boot and shoe industry; domestic over-production in highly protected industries was at least as marked as over-importation in industries with lower protection.

THE RISE OF THE NATIONAL POLICY

Depression brought the fiscal issue to a head. For a few years prosperity had silenced tariff discussion; the policy of cheap living, cheap production, and so-called incidental protection held the field. Then the lean years came, and open protection had its day. With the political bearings of the tariff controversy we are not here directly concerned—the shifting and sail-trimming of politicians, the uncertainty as to which party would first hoist the banner of unqualified protection, the gradual accentuation of opinion as differences of degree hardened into differences of kind. There was much haziness in the public mind, much uncertainty as to future trade relations with the United States; much unwillingness to abandon the comfortable ostrich compromise of 'incidental protection'; the political parties did but reflect public hesitancy. It is more pertinent to review the forces making for change in public opinion.

These forces were both political and economic, both individual and national; there was the blending, common to all popular movements, of narrow advocacy of self-interest and broad zeal for the country's welfare. The manufacturing interests, especially of Ontario, were organized and aggressive. Each manufacturer saw clearly the gain of a closed market and only dimly the indirect loss of dearer raw materials and higher cost of living, or, if seeing the loss clearly, hoped that

a broad view of national interest would keep his raw material free.¹ The Dominion Grange, then an important though hardly representative farmers' organization, took the same view of the desirability of controlling the local market.

Example was powerful. Britain, it is true, still clung to free trade, in fact, had only in 1860 swept away the last vestiges of effective protection, but fair trade criticism was growing. Europe had halted in following Britain's lead. The United States—till the crash came in 1873 and after—was prosperous beyond all rivals, extending its factories, filling its western lands, drawing capital and endless streams of immigrants from Europe and from Canada itself; and the United States was protectionist beyond all rivals. Popular logic questioned little whether American prosperity was due to protection or existed in spite of it, or whether the thinly settled and as yet disjointed Dominion could bear commercial isolation as well as the vast, compact, populous free trade area of the republic. Canada itself, it was urged, with equal disregard of modifying conditions, had never prospered as she did under the Galt-Cayley tariff, from 1858 to 1866, the old twenty per cent tariff of blessed memory under whose fostering shelter the boot and shoe industry and the agricultural-implement industry had grown to strength and cheapness, the tariff which had created vested interests, protesting against neglect.

The home market must be preserved. Conviction grew of its importance and of its peril. Granted that the cheap living and the cheap production of free trade were necessary for success in foreign markets, what foreign markets were to

¹ W. W. Ogilvie, protectionist: 'I am a miller, and wheat is my raw material. . . . I am an out-and-out protectionist, but I cannot stand by and have my raw material protected, for that is carrying the principle too far.'—*Proceedings, Dominion Board of Trade, 1876*, p. 173.

W. J. Stairs, free trader: 'If there is one thing above another in a civilized country which ought to be free, it is fuel and breadstuffs.' (Interruption: 'Why not sugar?')

Stairs: 'The gentleman mistakes my argument on sugar. Mind, I never used the word 'protection.' Surely you can have a fostering care over an industry without protection. (Uproarious laughter.) . . . I take the wholesome middle course . . . which I particularly urge, to favour and foster the refining of sugar . . . which we began manufacturing seven years ago.'—*Ibid.*, 1877, p. 120.

be had ? The United States, which proximity and similarity of tastes and conditions made the natural outlet, was hopelessly shut out ; Britain had the advantage of a long start, cheap labour and cheap money ; other markets were inaccessible, what with tariff walls and what with distance and lack of connections. Instead of seeking this shadow, the solid substance of the home market, familiar, convenient, certain, should be secured. If the Canadian manufacturer could not maintain his hold on his own market, what chance did he have of winning others ? And his hold on this market, it was urged, was in danger. American competition grew steadily more aggressive and more effective. The artificial protection, given the Canadian producer by the war diversions and the war taxes and green-back vagaries of his southern rival, was ending. The scale of production and the degree of specialization grew rapidly in the United States, and as they grew costs fell. Then came the panic and depression of 1873, and the rising tide of American competition became a flood ; Canada was made a sacrifice market, a slaughter market in the fashionable phrases of the day ; American houses dumped their surplus into Canada, consigning goods to be auctioned at any price, sending travellers to follow Canadian drummers and cut any rate offered. Some Canadian producers alleged that the slaughtering was part of a deep-laid plot to crush their rising ambitions, but the majority found in it but the natural result of flooded markets and tight money, and, when possible, Toronto made Buffalo in its turn a slaughter market. Naturally it was against American manufacturers and jobbers that complaint was chiefly directed, but English firms came in for their share. The chief cause of the depression, according to one of the foremost authorities in the wholesale trade, lay in the recklessness with which English firms consigned their wares, especially dry goods, to Canadian merchants of weak standing on absurdly long terms of credit, with the inevitable result that bankrupt stocks settled for at ten or twenty cents on the dollar flooded the market ; American manufacturers were selling as nearly as possible on a cash basis and were not cutting prices below the domestic level, though irresponsible jobbers in both countries might tem-

porarily demoralize both prices and terms.¹ Nor were charges of malice lacking: 'The Manager of the Canada Screw Company says they have to compete with the English manufacturers, where the business is virtually controlled by Nettlefold and Chamberlain, of Birmingham, who at times since the organization of the Canada Screw Company have sold screws in the Dominion at lower prices than for other markets, for the avowed purpose of crippling them.'² Whatever the motive, whatever the source of this unfair competition, the effect, it was held, was plain in universal depression and epidemic bankruptcy. Only a higher tariff could open the factories and close the soup-kitchens.

Granted that it was desirable to build up in Canada a well-rounded manufacturing interest, and granted that the United States market could not be secured on equal terms, how was the Canadian manufacturer to hold his own against British and especially against United States competition? Could he hold his own without protection? He had the material, if lessening, advantage over his United States competitor, of cheaper labour, except for a few skilled posts, lower taxes, and, as a rule, cheaper raw material. His great disadvantage lay in the lack of a large and secure market such as the United States producer enjoyed, permitting the economies of large scale production and specialization. It was true, as the protectionist with his visualizing of a foreign country as a single personality usually forgot, that for the larger market there were proportionately more competitors, but there was always at least the possibility of greater scale and greater specializing. If the Canadian manufacturer could have secured a foreign outlet, he might have expanded his operations; and early in the seventies we find Hamilton manufacturers of sewing-machines selling two-thirds of their output in Europe, and Oshawa makers of farm tools shipping forty thousand dollars' worth a year of their wares to England; still, this trade needed special cultivation, and for the time was exceptional. There was therefore much force in the

¹ John Macdonald, Toronto, *Hansard*, 1876, p. 334.

² *Report of Select Committee on Manufacturing Interests, Appendix to Journals, House of Commons, 1874, No. 3, p. 14.*

contention that, barred from the United States markets by the tariffs and from foreign markets by other handicaps, the Canadian manufacturer in some lines could not successfully stand competition in his own market without protection. But it did not follow, as many concluded, that he could therefore compete if given protection. It might well be that the protection given to offset the advantages enjoyed by United States manufacturers of certain products would enable Canadian manufacturers in the same industry to compete, but would at the same time cripple Canadian manufacturers for whom these products were raw material. It might be that it was difficult for Canadian manufacturers to compete without protection ; but it might also be that it would be difficult to compete with protection. Further, in abnormal times no mere two and a half or twelve and a half per cent tariff increase would prevent slaughtering. The truth was that, so long as the United States kept its own market barred and stood prepared to flood its neighbour's market, Canada was between the devil and the deep sea. But a choice had to be made, and in 1878 the people of Canada chose protection.

But suppose the United States market open on equal terms ? That, the strongest protectionist admitted, would be better than a protected home market. The leading Canadian advocate of protection in the early stages of the agitation, Isaac Buchanan, was equally in favour of absolute reciprocal free trade with the United States. The manufacturers who appeared before the House of Commons Committee on Manufacturing Interests in 1874 had come almost without exception to complain of American or English competition and to demand higher protection ; yet without exception these picked witnesses agreed that admission to the United States market was the sovereign cure for all their ills, an opportunity of which they were prepared to make the most. Representative manufacturers of machinery and tools, agricultural implements, hardware, cottons, woollens, clothing, leather, boots and shoes, lumber, glass, musical instruments, one and all declared they would hold up both hands for competition on even terms with their southern

rivals. Given this desire, it was at least arguable that to retaliate in kind would bring the United States to bargaining mood more quickly than to continue to take it lying down. Modern experience of tariff wars, with the heightening of national animosities, the hardening of accidental opposition into immutable principles of honour, and the creation of vested interests they involve, hardly bears out the argument, but it is not without plausibility and occasional force. It had weight with the Canadian electorate in 1878, when 'reciprocity of trade or reciprocity of tariffs' was the campaign cry of the victorious party. After the election, as the impossibility of opening the United States market either by sunny or by stormy ways grew evident, and present certainties loomed up larger, the Canadian manufacturer ceased to hope for even reciprocal removal of tariffs.

The National Policy promised not only to preserve the home market by protection and to open the United States market by retaliation, but to provide a revenue adequate for the country's needs. The continued deficits of the Cartwright régime were a strong popular argument against the existing tariff policy. If revenues fell, it was natural for a public brought up to believe in the possibility of incidental protection, a tariff yielding both revenue and protection, to urge that the deficit be met, and the needed further shelter against competition be provided, by one and the same expedient, an increase of duties. It was obvious, however, that if the increased duties barred out the foreign goods, the sources of revenue would dry up. The free traders poured scorn on the argument that a duty could be at once protective and revenue-yielding, the protectionists pointed to the hard concrete fact of a tariff which did achieve this impossibility. The fact was, of course, that the tariff was not of a piece; some schedules were as purely revenue-bearing as any in the customs tariff of the United Kingdom; others were as purely protective as the out-and-out prohibitions contained in the tariff of France. Where there was no endeavour to produce the commodity in the country, as in the case of tea and coffee, the duty yielded the full measure of revenue; where the home producers were able to supply the whole

market, as was practically the case with boots and shoes, the duty was solely protective. The duty on cottons was revenue-bearing so far as prints or the finer fabrics which were not produced in Canada were concerned, protective in the case of grey cottons, in which the home producer had driven the English manufacturer out of the market. Where goods were produced in Canada, but not in quantities sufficient to supply the market, the tariff might temporarily yield revenue and aid the home manufacturer by raising the price level by all or part of the duty. A return of importations to the normal level or a substitution of specific for *ad valorem* duties would have enabled the Galt-Cartwright tariff to produce a surplus, but even on the existing level of importations the revenue possibilities of new or higher duties had not been exhausted.

The demand for a higher tariff, finally, was not based solely on economic grounds; it professed to be a National Policy. No small measure of the strength of protection in Canada as elsewhere has lain in the readier appeal it makes to patriotism. Patriotism is ordinarily both positive and negative; it is composed in varying parts of love of one's own country and dislike of other lands. On the negative side protection made strong appeal to the anti-American feeling inherited from United Empire Loyalist days, and fostered by the repeated rejection of Canada's trade overtures. It scored equally on the positive side. It promised national self-sufficiency. It promised an industrial life varied enough to find places for all the boys who otherwise would be lost—absorbed by the United States. It promised to develop trade between the provinces, to create an east and west traffic fed by Nova Scotia's coal and Ontario's flour, and to cement national unity by the common interests thus established.

The low-tariff advocate, of course, could promise prosperity as freely, but it was not an exclusive prosperity. He was not, however, without political prejudice on his side; he made fervent appeals to imperialist as distinguished from nationalist sentiment, urging the impolicy and the ingratitude of higher duties on British goods. To meet this plea the protectionists sometimes trimmed by suggesting a preference on British imports, but more usually they asserted that the

Empire began at home, or if it did not, 'so much the worse for British connection.' It is significant that the Canada First movement was strongly tinged with protectionism. In the clash of ideals nationalism proved stronger than imperialism.

It has been noted that in the fiscal struggle waged in this period, what were at first mere differences of degree hardened in the stress of controversy into differences of kind. All responsible parties were in favour of maintaining at least the existing measure of protection. There was much free trade sentiment afloat, and the popularity of the confused doctrine of incidental protection was largely due to the comforting ease with which it enabled theoretical free-traders to accept a considerable degree of practical protection as a mere by-product of revenue-raising; there was, however, no party ready to put in force a free trade policy. The concrete proposals of opposing parties differed comparatively little. In discussion, however, the advocates of seventeen and a half per cent and the advocates of twenty per cent frequently took up positions poles apart.

The chief stages in the transition from moderate and incidental protection to the later policy may be briefly reviewed. Early in Confederation there were repeated tentative gropings towards the National Policy, to use a phrase which Rose devised, Hincks stamped with his approval, and Macdonald made current. These hesitating beginnings took the form of duties not on manufactured but on natural products, with the primary purpose of building up inter-provincial trade or retaliating against the United States. In the first Dominion tariff a ten per cent tax on breadstuffs was imposed, but Maritime Province opposition compelled its removal a year later. On April 7, 1870, Hincks announced the government's intention to impose duties of fifty cents a ton on coal and coke, four cents a bushel on wheat, three cents on coarse grains, twenty-five cents a barrel on wheat and rye flour, and fifteen cents on other flour or meal, and five cents a bushel on salt. On April 26, at three o'clock, under consumers' pressure, he agreed not to impose these duties; at eight o'clock, under coal-miners' pressure, he decided to retain them. This instalment of the National Policy lasted a year,

and then its unpopularity in every province brought about its repeal; in March 1871, during Sir John Macdonald's absence in Washington, an opposition motion, with the help of twenty-seven ministerialists, repealed the duty on coal, coke, wheat and flour, and a ministerial motion repealed the other duties; in April an amendment urging retention of the duties for use in the pending negotiations was overwhelmingly defeated—Hincks, Cartier, Tupper, Tilley and all the other ministers present voting it down.

In his first budget in 1874 Sir Richard Cartwright found himself faced by a threatened deficit, owing to the rapid fall in imports. Remedy was sought in unmistakably revenue duties on tea and coffee, tobacco, wines and spirits, in twenty per cent duties on luxuries such as silks, satins and silver-plated ware, and in the increase of the general fifteen per cent rate to seventeen and a half. Two years later the same emergency arose. Much pressure was brought to bear on Cartwright to take the other bite of the cherry, and raise the seventeen and a half per cent schedules to twenty. It was argued with reason that experience had shown that fifteen per cent was not the revenue-yielding limit, and that a further increase might result in filling the treasury rather than in blocking importation. The general expectation was that the government would consent. Ministerial newspapers foreshadowed an increase;¹ opposition leaders prepared to denounce the government in the appropriate vague terms;²

¹ 'The impression generally prevails that in the financial statement to be made to-day the seventeen and a half per cent duty will be raised to twenty and probably some specific duty imposed on a few other articles. The bulk of the Maritime members are strongly opposed to any increase in the duty on manufactured goods, and if the increase were to be made only as a concession to protectionist demands, they, being principally consumers and not producers, would have some cause to complain; but if the interests of the revenue alone are consulted in the matter the whole Dominion has to share the burden.'—Ottawa correspondence of the *Toronto Globe*, February 25, 1876.

² 'I came, I confess it, to hear the Finance Minister's speech, impressed with the idea that he was going to bring down an alteration of the tariff . . . which would operate, incidentally at all events, in protection of our home industries. . . . When, therefore, the honourable gentleman took his seat at the end of his singularly able but at the same time singularly unsatisfactory speech, I desired, taken by surprise as I was, time to consider what course we should take under the circumstances.'—Sir John Macdonald, *Hansard*, 1876, February 29, pp. 338-9.

Maritime Province deputations threatened to withdraw support. It is now known that Sir Richard pressed hard for an increase, but was overborne by Mackenzie;¹ the minister of Finance threatened to resign, but finally the members of the cabinet composed their differences and presented a united front to the public, denying most explicitly, but with careful choice of words, that they had entertained any thought of adopting higher 'protection'; of course the increase, if made, would have been 'mainly for revenue.'² The minister of Finance trusted that the revival of trade to a normal level would fill the treasury without the imposition of further taxes. The trust was misplaced, the depression grew deeper, the treasury emptier, and the people turned to other fiscal doctors.

IV

1879-1896: THE DAYS OF TRIAL

THE REVIVAL OF PROSPERITY

THE seven lean years of depression drew to a close in 1879. For this mercy fervent protectionists returned thanks to the National Policy. Undoubtedly the stimulus given to investment in favoured industries was a notable factor in the revival of confidence and energy. More important, however, were the world-wide improvement of demand, the restoration of the United States market for Canada's lumber, the coincidence of good harvests in Canada with the worst harvests in Britain since the century began. Immigration was spreading its fertilizing flood over east and west. Railroad construction was again expanding, with widely ramifying stimulus. The prairie West was having its first boom. Another brief era of prosperity had dawned.

¹ Sir Richard Cartwright, *Reminiscences*, Interview 25.

² 'I have not the slightest doubt that the honourable gentleman would have been extremely delighted to have seen us floundering in the depths of the protectionist bog from which he has emerged. I tell honourable gentlemen of the opposition once for all that, although the government gave very serious consideration to this question, and took great pains to decide what was their duty in this crisis, they did not at any time entertain the idea of levying what is called a protective tariff.'—Sir Richard Cartwright, *Hansard*, 1876, March 10, p. 577.

IMMIGRATION, LAND AND RAILROAD POLICY

Renewed prosperity was both cause and effect of increased immigration. During this period the Dominion government continued an aggressive campaign across the seas, though in the later years its activities were stereotyped in routine and their effectiveness diminished. More reliance was placed on advertisement, on tours and reports of British tenant farmers brought to spy out the land, less on money aids. Under protest from eastern labour circles, congested by immigrants who drifted from farm to city, the Dominion government in 1885 ceased to provide free inland transportation for farm labourers and domestic servants, and Ontario discontinued its free passes; three years later assisted ocean passages were also abandoned. In 1890 the practice was revived, but amended to ensure settlement on the land: a bonus of ten dollars was given to each head of a family, and five to each member over twelve, on proof of settlement in Canada west of the Great Lakes. Repatriation activities were continued in the United States, but without notable results.

Free land was still the loadstone for the immigrant. No important changes in policy were made by the eastern provinces; no extensive settlement of their forested crown lands could be expected while the treeless prairie, ready for the plough, was to be had for the asking. In the overshadowing West the policy of the Dominion fluctuated between the desire for rapid settlement and the desire to build the Pacific railroad without entailing a burden on the people. In 1879 it was resolved to set aside 100,000,000 acres to be sold by commissioners at not less than two dollars an acre, the proceeds constituting the railway building fund. In July of that year the land for one hundred and ten miles on each side of the proposed line was divided into belts five, fifteen, twenty, twenty and fifty miles wide; the five-mile belt was held for sale, but in each of the other belts eight sections in every township were set aside in eighty-acre lots for homesteads, or for pre-emption at prices varying from one to two and a half dollars

an acre. Criticism led to the framing of more favourable terms ; in the following October all five belts were opened to homesteads and pre-emptions in the prescribed townships, and the size of the holding was increased to one hundred and sixty acres.

After the contract was made with the Canadian Pacific syndicate, new regulations were required. It was still thought that the plan of building the road out of a land endowment of one hundred million acres was feasible. Twenty-five millions had been granted the syndicate ; the sale of the remaining seventy-five millions would reimburse the state for its cash subsidies and direct expenditure on construction. 'Beyond a possibility of doubt,' declared Sir John Macdonald in 1882, 'not a farthing in money will have to be paid by the people of Canada.'¹ In a belt twenty-four miles on each side of the Canadian Pacific, alternate sections were to be reserved for the railway grant and for homesteaders ; elsewhere the even-numbered sections were open to homestead and pre-emption, and the odd-numbered were held for sale. Special arrangements were made for sale of this latter land to colonization companies, which were to be permitted to buy land at one dollar an acre, conditionally on effecting a certain degree of settlement. These companies, it was thought, would play the part which the land grant railroads of the United States had played in the rapid and energetic opening up of the country. Their promoters, however, were more eager to reap the hoped-for increase in land values from the activity of others than to undertake the labour of promoting settlement. They promised a ready road to fortune ; every town of importance in Ontario had its colonization company, and seven million acres of land were applied for in a few months. When the difficulty of fulfilling the rigorous duties of settlement came to be appreciated, the speculative fever abated, and one by one the companies lapsed into oblivion. Gradually it came to be felt that the rapid peopling of the country was more important than the millions for which the land might sell. The odd-numbered sections were granted lavishly to colonization railroads ; by 1896 the odd sections in almost

¹ *Hansard*, April 21, 1882.

the whole of the surveyed area had passed into the hands of railway companies. Meantime the privilege given homesteaders of pre-empting an adjoining quarter-section was withdrawn, after repeated warnings and postponings, with the close of 1889. It was felt that the pre-emption system involved an undue scattering of settlement, with consequent difficulties in building roads, forming schools, and in all social intercourse, and that with the odd-numbered sections for sale by railway or government it was unnecessary to reserve still further lands for purchase. With the abolition of pre-emptions there departed the last hope of paying for the Canadian Pacific out of land revenue.

Toward the close of the seventies the completion of railroad connection to Manitoba through St Paul had stimulated the western trend. The plagues of grasshoppers, which had discouraged the early settlers and deterred others, ceased. Then came the active construction of the Canadian Pacific in the early eighties, and the West experienced its first boom. The connection between Lake Superior and Winnipeg was not completed until 1883, but the St Paul connection afforded an eastward outlet, and meantime the rails were being pushed westward across the plains at a speed unprecedented in American experience, two and a half miles a day being the record of 1882. The energy proved contagious. Eastern Canada, and especially Ontario, was seized with the Manitoba fever; farmers and farmers' sons trekked westward by the tens of thousands; those who remained behind bought farm lands or lots in Winnipeg or Brandon, or organized colonization companies. Agricultural machinery manufacturers in Ontario strained every nerve to keep up with the demand. In 1882, when the rush reached its height, sixty thousand settlers, or rather tourists, poured in, and nearly three million acres of land were entered by homesteading, pre-emption or sale. Then came killing frosts, nipping the budding boom; the majority of the homesteads and pre-emptions taken up were abandoned, choice corner lots relapsed into prairie, tens of thousands of the temporary settlers drifted east or south, and eastern speculators went into bankruptcy and mourning. Frost and drought, rail-

way monopoly and high-priced farm machinery, the half-breed rebellion and the counter-attractions of Minnesota and Dakota deterred settlement throughout the eighties. The number of homestead entries made in 1882 was not again reached until 1901. Between 1881 and 1891 the population of Manitoba and the North-West Territories grew from 180,000 to 250,000, while Dakota alone grew from 135,000 to 510,000.

EXODUS AND LAMENTATIONS

Meantime Canada was continuing to lose on her southern border almost as rapidly as she gained on the eastern. The life-robbing drain showed little sign of slackening. During the eighties the number of natives of the United States resident in Canada increased only from 77,000 to 80,000; in practically the same period, 1880-90, the number of natives of Canada in the United States grew from 717,000 to 980,000. Canada with its four million people and its millions of vacant acres had contributed more of its sons to the building of the United States than England with its twenty-nine millions in their crowded land. In such occupations as those of actors, artists, architects, bar-tenders, clerks, dentists, doctors, engineers, nurses, cotton-mill operatives and even lumbermen, the number of native-born Canadians living in the United States approached, and in some instances exceeded, the number living in Canada itself. Counting as fairly Canadian native-born Canadians, children of two native-born Canadian parents, and half the children claiming one Canadian-born parent, there were in the United States in 1890 one and a half million Canadian people, over one-third of the home population. During the eighties, then, it was not surprising that the population grew only half a million, from 4,324,810 to 4,833,239, or an increase of 11.76 per cent as against the contemporaneous increase in the United States of 24.86 per cent. The opponents of the National Policy had many a text for their funeral orations; little wonder that during this period, in the words of a witty critic, the Scriptures according to Sir Richard Cartwright began with Exodus and ended with Lamentations.

THE NATIONAL POLICY IN FORCE

The victory of protection in the general election of 1878 was followed by an immediate and thorough-going redemption of campaign pledges. The manufacturer was given the promised increase in the duty on his finished product, offset in some cases, it is true, by higher duties on his raw material. Textiles were especially favoured. On the lines of cotton goods likely to be manufactured in Canada, duties were raised from seventeen and a half per cent to rates, specific and *ad valorem*, equivalent, on the importations of 1881, to thirty per cent. The duties on woollens, all in the seventeen and a half per cent schedule in 1878, were practically doubled; in 1881 blankets paid forty-five per cent; clothing, thirty-five; cloths, coatings, tweeds, thirty-two; dress goods and other woollens about twenty per cent. The rates on furniture and clocks went up to thirty-five per cent; on carriages, glassware, wall-paper and silks to thirty; on boots and shoes, buttons, rubber goods and woodenware to twenty-five. Sugar—the closed Redpath factory in Montreal had figured extensively in campaign debates—was given a five to ten per cent increase, and the bounty on export of refined sugar offered by certain countries in the form of excessive drawbacks was to be considered in determining the basis for levying duties. Pig-iron, previously free, was made to pay two dollars a ton; the duty on iron billets, bars and rods was increased from five to ten and seventeen and a half per cent, while manufactured iron and steel products and machinery were given twenty-five to thirty-five per cent protection. The rate on goods not otherwise provided for was increased from seventeen and a half to twenty per cent, but the bulk of the import commodities in the old seventeen and a half per cent schedule were given special and higher rates. A marked feature of the new tariff was the substitution of specific or compound duties for the *ad valorem* rates of the old tariff, a measure designed to guard against such a falling-off in the revenue as had resulted from the decrease in values in the years of depression, and, it may be, to conceal the

extent of the increase from the lay public. The farmer was remembered by the imposing of duties on wheat, barley, Indian corn and other breadstuffs, and doubling of the duty on live-stock. Inter-provincial trade was promoted by a duty of fifty cents a ton on coal, both bituminous and anthracite, to give Nova Scotia an advantage to compensate for the higher prices paid Ontario for flour; New Brunswick was allowed to pay both bills without amends.

Finally, the National Policy was to provide ample revenues, to change deficit into surplus. In its early years it scored unquestioned success in this aim. In the first year of its operation, it is true, with imports falling to still lower levels, it failed to make ends meet. The next year told a different tale. The imports entered for consumption in the fiscal years 1878 and 1881, ending June 30, were approximately of the value of \$91,000,000 in each case. In the former year the Galt-Cartwright tariff yielded \$12,800,000 customs revenue on this amount; in the latter year, the Tilley tariff brought in \$18,500,000. The increased revenue came in part from the new duties imposed on coal, Indian corn, flour, pig-iron; in part from increased importations of goods on which the duties had not been materially raised, such as tea and jewellery; in part from the heightening of duties, as on blankets, flannels and wall-paper. In some cases, notably with the last three commodities cited, the higher duties lessened importations, but not to the degree to which the rates had been increased, so that the net result was an increase of revenue; in other cases, such as boots and shoes, stoves and furniture, the new duties lessened both the already small importations and the revenue received. Criticism might be offered as to the unfair incidence of the duties or the crippling effect of taxes on raw materials such as coal or pig-iron, but there was no doubt that, as an instrument for extracting taxes from the people, the National Policy tariff improved on its predecessors.

There is no finality in tariffs. Every succeeding session saw amendments made, but few important changes were introduced during the eighties. The general tendency of the amendments was still upward, cottons, sugar, agricultural

implements and musical instruments being favoured in turn. A striking instance of class legislation on behalf of the farmers was witnessed in 1886, when the manufacture or sale of oleomargarine was prohibited. Excess of revenue was met in 1886 by abolishing the duties on tea and coffee imported direct from the country of origin. Deficits recurred in 1885-86, due, as in the seventies, both to abnormal expenditure and to the fall of imports and revenues alike because of depression. By the beginning of the nineties, the climax in protection had been reached. Thereafter the reciprocity agitation, the sentiment in favour of a lower tariff, growing with agricultural and general depression, and the passing of the Wilson Act in the United States, forced concessions. In 1891 the duty on raw sugar was repealed, without a corresponding reduction on refined sugar, thus sacrificing revenue but retaining protection; the result was a great increase in consumption. In 1894 came material reductions on agricultural implements, and slighter reductions and readjustments on cottons and woollens; lumber was put on the free list for the benefit of western, and cream separators for the benefit of eastern farmers.

The most important tariff development in this period was the thorough-going extension of protection to the iron industry. The desire for a completely rounded out and self-sufficient manufacturing economy was balked as long as Canada had to depend on other countries for her supplies of iron and steel, the symbol and foundation of modern industrial development. Ardent free-lance protectionists deplored the spectacle of Canadian ore being exported across the border and the finished product reimported; they urged that by a systematic and scientific application of protection it would be possible to repeat the success of the United States, to bring it about that Canadian ore smelted in Canadian furnaces, Canadian pig-iron puddled in Canadian furnaces, and wrought iron hammered in Canadian forges or converted into steel in Canadian furnaces, rolled and drawn and slitted in Canadian rolling-mills, and utilized for further production in foundry and factory, would supply Canadian needs. Responsible protectionists in office hesitated to

develop a few ore-mines or blast-furnaces at the risk of crippling the important and successful industries for which iron in its crude forms was the raw material. The solution adopted was the payment of bounties on these cruder products, together with the imposition of duties progressing with the degree of manufacture. In 1883 the beginning was made by offering a bounty on pig-iron of a dollar and a half a ton, reduced to one dollar in 1889, and doubled three years later. In 1894 the bounty was confined to pig-iron made from native ore; at the same time a further bounty, to run for five years, was established of two dollars a ton on puddled bars and steel billets, made from Canadian pig-iron, which in turn had been made from native ore. The Ontario government in the same year offered an additional bounty of one dollar a ton on pig-iron made in Ontario from Canadian ores. Meantime the whole iron schedule of the tariff had been extensively readjusted in 1887. The minister of Finance, Sir Charles Tupper, adopted the United States principle of proportioning the duty to the amount of labour represented in the product, and put the rates at about two-thirds of the United States level; the duty on pig-iron became four dollars; on blooms and billets, nine; on bars, thirteen; on rails, six; and there were substantial advances on structural iron, locomotives and manufactures in which iron was an important constituent. As yet no attempt was made to foster the production of steel.

COMMERCIAL RELATIONS WITH THE UNITED STATES: THE ERA OF FRICTION

The twenty years from 1878 to 1898 form an epoch in the relations between the two English-speaking democracies which is not of inspiring memory. It was a period of stress and strain, a period marked in the United States by Congressional arrogance, relieved by occasional flashes of Executive reasonableness, and in Canada by excessive looking to Washington. It was a period of petty irritations and short-sighted huckstering. As before, the matters at issue were chiefly the fisheries, transportation and the tariff, and

as before, these subjects were closely connected in diplomatic discussion, though in each case the passing of time had shifted the emphasis and altered the relations.

For a few years the prevailing prosperity and the regulation of commercial relations by the Washington Treaty prevented any noteworthy friction—unless it was the tin can war, the levying by the United States of duties on the cans containing fish which by treaty were to be free of duty, and retaliation by Canada through duties on tin cans and peach baskets.

Fisheries Disputes.—The Atlantic fisheries question was reopened in July 1883, when the United States, at the earliest possible moment, gave the required two years' notice of the abrogation of the fishery clauses of the treaty. The general public in the United States resented what they considered the absurdly excessive money award given Canada by the Halifax arbitration. The Gloucester fishermen, whom New England's influence and the gentlemen's agreement among fellow-protectionists made powerful at Washington, strongly urged abrogation. They declared that access to the Canadian inshore fisheries was now of little value: for cod they went to the deep-sea banks, carrying iced or salted bait; for mackerel, they used the purse-seine in deep water instead of 'chumming' inshore waters; herring they could buy from the provincial fishermen; certainly, whatever the benefits, they were not worth purchasing at the price of Canadian competition in the Boston fish-market—arguments doubtless of weight, though perhaps the unexpressed intention to continue using the fisheries they depreciated, as far as aggressive interpretations of treaty rights would warrant, had equal force.

With the abrogation of the Washington Treaty provisions, matters reverted for the third time to the 1818 basis. Canada for peace' sake extended the privileges of the treaty from July 1885 to the end of the fishing season, although her fish were required to pay duty from the moment the treaty expired. This concession made to international courtesy, the Dominion began a rigid, aggressive enforcement of what she considered her rights, and partly in accordance with the

traditional policy of using fishery privileges as a lever to overthrow the United States tariff wall. The dispute turned not only on the location of the three-mile limit, whether following shore windings or running parallel to a base line between bay headlands, but more especially on the question of the extent of port privileges which United States vessels might enjoy. The convention of 1818 declared that United States fishing vessels could visit Canadian ports for shelter, repairing damages, obtaining wood and water, 'but for no other purposes whatever.' Canada strictly enforced this clause, forbidding United States fishing vessels to enter port to tranship crews, purchase bait, or ship fish in bond to United States markets. The United States protested against what it termed the barbarous enforcement of antiquated rules, holding that the privileges specified in 1818 were merely explicit exceptions to the rigid British Navigation Laws then in force, laws which had since been entirely swept away, with consequent opening of ports for all privileges; Canada retorting that this extension applied only to trading vessels, and could not be claimed by fishing vessels, even if supplied by the United States government with 'touch and trade' licences.

Undoubtedly there was much that was petty and illiberal in Canada's enforcement of her claims. In her defence it should be urged that the United States had not shown itself responsive to generous treatment, that the preposterous surrender of 1783-1818 set up what was practically joint dominion in Newfoundland and Canadian territory, and that a liberal construction of such lavish terms was hardly to be expected. Whatever the merits of her case, Canada met only a moderate measure of success in both her immediate and her ulterior aim. Retaliation, as usual, bred war, not peace. In 1887 Congress passed a Retaliatory Act, empowering the president to close the ports of the United States to the vessels of any or all of the British provinces. President Cleveland, to his credit—or Secretary Bayard's credit—be it said, to balance the affair of Venezuela, stood firm for conciliation, and agreed to the appointment of a joint high commission, on which Sir Charles Tupper, Joseph Chamberlain, and the British

Ambassador at Washington represented Canada. The commission's endeavour to secure a permanent settlement by providing for a special board to determine in what waters American fishermen could fish, and suggesting free entrance into Canadian ports in return for free market for fish, was wrecked on the rock of senatorial stiff-neckedness, in spite of Cleveland's and Bayard's strong representations. Meantime a *modus vivendi* was drawn up, admitting American vessels to the port privileges desired on payment of a licence fee of a dollar and a half a ton. This temporary arrangement, renewed from year to year, has proved the most permanent settlement in the long controversy. The removal of the chief cause of friction, and the abandonment by Canada of its efforts to use its fishery resources in tariff negotiations, permitted the issue to lapse into blessed oblivion.

Meantime, the scene had shifted to the other coast, and the seal taken the place of the cod and mackerel as the chief *dramatis persona*. The endeavour of the United States to give the Alaska Commercial Company a monopoly of the seal industry, at the expense of pelagic sealers, whether Canadian, Russian, Japanese or independent Americans, brought about an interesting reversal of the positions taken in the Atlantic dispute. Now the United States stood for the utmost extension of territorial waters, Canada for restriction; now the United States cruisers seized depredators with as high a hand as the Canadian authorities had displayed. Patriots on both sides of the border-line were, of course, convinced that their country was entirely in the right on both issues. Feeling ran high for some years, but in 1892 Lord Salisbury's diplomacy resulted in an agreement to submit the points at issue to arbitration. The tribunal agreed upon, consisting of one French, one Italian and one Swedish jurist, two United States and one British and one Canadian representative, decided strongly against the sweeping claims of the United States. Regulations were suggested and adopted, however, forbidding pelagic sealing within sixty miles of the Pribyloff group, and restricting the weapons to be allowed. In spite of the new regulations, the Canadian catch for a time increased: the United States endeavoured to reopen the

question, but Canada declined to consider its proposal to suspend pelagic sealing, except upon substantial compensation for her sealers. Meantime, in 1897, a commission had assessed at half a million dollars the damages suffered by Canadian vessels from illegal seizure. All efforts to secure settlement failed, but the rapid lessening of the catch bid fair to bring the end of the controversy and of the seal alike.

Transportation Problems.—Transportation continued to bulk large in international affairs, though in altered forms. Canadian control of the St Lawrence outlet came to count for less as a diplomatic asset, partly because the railway was lessening the value of the waterway, and partly because the use of Canadian ports, if not of Canadian canals, was as great a benefit to Canada as to the United States, and not likely to be restricted. In fact, the chief canal issue of this period rose out of the attempt of the Dominion to induce both Canadian and American vessels to use the St Lawrence system clear through to Montreal. The greater the volume of transatlantic freight offered at Montreal, the greater the likelihood of abundant and regular ocean transport appearing, and of ocean rates, which were far above the New York level, falling to something like a competitive basis. In 1882 tolls were abolished on the Erie Canal; to retain traffic for the St Lawrence, Montreal shippers and forwarders at once urged similar action. In 1884 the Dominion agreed to make a reduction, which took the shape of a rebate on grain cargoes going through to Montreal but not to Oswego or Ogdensburg; in 1891 it was provided that transshipment might be permitted at a Canadian but not at an American port. The Canadian government contended that as these measures discriminated against United States routes and ports, not vessels, they could not be considered a violation of the equality pledged in the Treaty of Washington. In 1892 the United States government retaliated against these discriminations by levying tolls of twenty cents a ton on Canadian vessels passing through the American Sault Ste Marie Canal, the Canadian canal at this point not being completed. Canada accordingly issued new regulations imposing a toll of ten cents a ton on vessels passing through either the Welland or

St Lawrence Canals, payment of the Welland toll entitling the cargo to pass through the St Lawrence system free, a provision favouring the Canadian route without the previous explicit discrimination. The United States removed the Sault Ste Marie tolls, and the trouble ended.

Meantime, the railway situation had become acute. This question, which was as much an issue between different sections and interests in the United States as between the United States and Canada, had to do generally with the passing of goods in bond from one country to the other. It presented two quite distinct aspects: the foreign transit trade, traffic between either country and a third country over the territory of the other; and the domestic transit trade, traffic between two sections of either country through the other's territory. The foreign transit trade, established in 1847 by an executive extension of the clause of Jay's Treaty of 1794 regarding portages, permitted Canada to utilize the Atlantic seaports of the United States when her own St Lawrence ports were ice-bound, and afforded the western states an alternative outlet by the St Lawrence in summer. The domestic transit trade began in 1855, when the construction of the Great Western Railway and the bridge across Niagara opened up, in connection with the New York Central and Michigan Central Railways, the only all-rail route between New York and Chicago. Pressure from American interests led President Pierce to issue an administrative order sanctioning, so far as the United States was concerned, passage of goods by this route in bond. A statute passed in 1866 confirmed this order, and also legalized the foreign transit trade; an additional guarantee was provided in the Washington Treaty. In the seventies a corresponding favour was obtained by Canadians shipping goods to Manitoba through Duluth or St Paul.

The completion of the Canadian Pacific Railway in 1885 introduced a new and disturbing factor. Pending the development of local traffic, the new road made a vigorous bid for United States east and west traffic, not merely foreign transit trade between Asia and the eastern states, but domestic transit between San Francisco or points on Puget

Sound and the eastern states, in conjunction with a steamship line between San Francisco and Vancouver. Exempt at first from the control of the newly established Interstate Commerce Commission, and from the rule prohibiting lower rates for a long than for a short haul, the Canadian Pacific underbid its United States rivals with impunity; its competition was somewhat moderated, but at the same time recognized, when it entered the Transcontinental Rates Association in 1889, and was granted a smaller differential rating. Meantime, irritation caused by the fisheries dispute led the United States to threaten to cut off the eastern foreign transit trade in bond. The article of the Washington Treaty, legalizing the domestic transit trade, was abrogated in 1885, but the statute of 1866 covering the same ground then revived. United States opinion was divided. On one side stood the transcontinental railroads, eager to be rid of Canadian competition, and general opinion resenting both the fisheries attitude of Canada and the aggression of a railroad, considered to be simply the Canadian government under another name; on the other stood the shippers, who profited by competition, whether in the eastern states or on the Pacific coast or in Minnesota, where the Canadian Pacific had recently entered into alliance with the Sault Ste Marie line. Fortunately the settlement of the fisheries question removed the cause of United States irritation, and after the holding of the presidential elections in 1888 there was not the same temptation to ultrapatriotic politicians to attempt to inflame that irritation, so that gradually the bonding issue, always a secondary matter, ceased to attract public attention, and no open breach resulted.

Commercial Union and Unrestricted Reciprocity.—In the negotiations for closer trade relations between the United States and Canada, the initiative has usually come from a victory of low-tariff sentiment in the United States. The Reciprocity Treaty of 1854 was possible only through the ascendancy of the low-tariff democrats in Congress. The Commercial Union and Unrestricted Reciprocity agitation of the late eighties followed a new onslaught on the protectionist entrenchments at Washington. The Taft-Fielding proposals

twenty years later were the direct outcome of a revolt in the United States against vested interests in general and tariff extortion in particular. In the quarter century following Confederation, Canada may be considered a constant quantity; both political parties stood pledged to securing closer commercial relations with the republic, however they might differ in the scope of the arrangement they were willing to conclude. The United States was the variable factor; a brief review of the development during this period is essential to an understanding of the contemporary Canadian situation.

The high customs rates which the United States inherited from the necessities of the Civil War persisted without serious reduction for over twenty years after the war had closed. A horizontal reduction of ten per cent made in 1872 was repealed after three years of commercial depression and falling revenues; a revision made in 1883, after investigations by a special commission, had given only slight reductions, and those in the manufactures least exposed to foreign competition. Although the democrats secured control of the presidency and of the House of Representatives in 1884, for the first time since the war, the strength of a political minority in their own ranks blocked revision; it was not until the end of his term that President Cleveland succeeded in his policy of educating his own party and committing them solidly to tariff reduction. His famous message of December 1887, devoted entirely to the revenue and tariff situation—'it is a condition, not a theory, which confronts us'—forced the fighting on the tariff issue in the presidential campaign of the following year. The republican party, committed by opposition more strongly than ever to the defence of protection, won a sweeping victory, controlling presidency, Senate and House. In fulfilment of their campaign pledges they passed, in October 1890, the M^cKinley Act, which raised to the point of exclusion the duties on many manufactured products, notably textiles, and threw a sop to the farmers, growing restless under falling prices and trust and railroad domination, by making the duties on agricultural products almost prohibitive. Secretary Blaine's agitation for commercial union with the Latin-American states bore fruit in a provision

authorizing the president to impose taxes on sugar, molasses, tea, coffee and hides, as a means of securing concessions abroad. Under its terms agreements were concluded with Brazil, certain powers having West Indian possessions, and Germany and Austria-Hungary. Meantime the sudden rise in prices following the imposition of the new duties led to a remarkable revulsion of sentiment; in the congressional elections of 1890 and the presidential election of 1892 the democrats won sweeping victories on the tariff issue. In spite of the honest efforts of President Cleveland and the democratic leaders in the House to carry out their platform promises, the strong republican minority in the Senate, aided by democratic representatives of sugar and other interests, led to futile compromise and damaging failure; the Wilson-Gorman bill of 1894, which became law without Cleveland's signature, modified the McKinley rates here and there, but on no uniform or consistent principle. Finally the victory of the republicans in 1896, on the free silver issue, compelled its leaders to carry out their pledges to raise the tariff walls still higher, with the result known as the Dingley tariff of 1897.

In Canada closer trade relations with the United States ceased to be a vital issue for some years after the adoption of the National Policy. Then dark days came. The depression of 1873-79 had created the demand for protection as a sovereign remedy; the depression of 1884-89 brought on the agitation for Commercial Union. The National Policy had not proved a cure-all. Retaliation had not brought concessions from the United States, which seemed oblivious of the fact that retaliation was in force. The manufacturer was still hampered by a small and stagnant market. The farmer suffered from falling prices. The West had halted in its progress. Foreign trade had fallen not only below the mark of 1883, but below the mark of 1873. Racial and religious and sectional discord, bitter beyond all Canadian record, deepened despair and brought many to welcome heroic remedies. The turning of the democratic party toward free trade seemed to promise a favourable reception of overtures. The fisheries dispute made negotiations necessary; why not link fisheries and tariffs as of yore?

The time brought the man. Erastus Wiman, who was the moving spirit in the Commercial Union agitation on both sides of the border, was a Canadian by birth, and still a Canadian by allegiance; from journalism he had shortly turned to business; promotion led him across the border, where success increased. By 1887 he was manager of the Dun Mercantile Agency, and president of the Great North-Western Telegraph Company, controlling the bulk of the lines in Canada. 'At that time,' he writes, 'I was in receipt of an income of fifty thousand dollars a year, and was prosperous beyond the ordinary lot of man; I determined to devote a portion of my income to the promotion of this cause, for it was impossible from my previous training and my perfect knowledge of Canada on the one hand, and on the other of the United States, not to realize the enormous consequence that would flow to both from breaking down the barrier between them.'¹ In the United States he found allies in S. J. Ritchie, a capitalist with large railroad and mining interests in Ontario, requiring larger markets for successful exploitation, and in Ritchie's legal adviser, Congressman Butterworth of Ohio. They recognized the hopelessness of attempting to persuade the United States to accept the limited treaty of 1854, and came out strongly for a zollverein on the German model, or, to use the phrase for which Goldwin Smith stood godfather, Commercial Union. By Commercial Union its advocates understood absolute free trade between the United States and Canada, common excise rates and a common customs tariff against the rest of the world, the pooling of customs and excise revenues, and their redistribution according to population.

A zollverein was not a new idea in the discussion of commercial relations on this continent. In the United States it had secured the backing of such diverse public men as Stephen Douglas, Horace Greeley, William H. Seward and Ben Butler, of official investigators like Taylor, Derby and Larned, and of committees of the House of Representatives in 1862, 1876, 1880 and 1884. In Canada the project had been urged by Isaac Buchanan, the outstanding advocate of protection in

¹ Hopkins's *Canada, an Encyclopedia*, i. p. 412.

pre-Confederation days, as well as by L. H. Holton and the Hon. John Young ; it had been opposed by Galt in a strong report in 1862, yet, in a partial application, contemplated by Canada in the Galt negotiations of 1866 and the Rose negotiations of 1869 ; it had been firmly set aside by Brown in 1874. But never before and never since did the conjunction of economic and political affairs permit the proposal to attract the general and serious attention secured in the late eighties.

The campaign for Commercial Union may be said to have begun in 1887, when H. Butterworth introduced in Congress a bill providing for the free entrance of all Canadian products whenever Canada should permit the free entrance of all American products. Congress at the time was busied discussing and endorsing the bill empowering the president to retaliate upon Canada for her behaviour in the matter of the fisheries, but prominent representatives like Hitt, chairman of the Foreign Affairs Committee, and Dingley, later known to Canada as sponsor of a famous tariff act, took occasion to say they would prefer Butterworth's soft answer to the 'big stick' policy they were adopting. Wiman immediately followed up this opening by urging and organizing Canadian opinion, especially among the farmers. Discussion at once sprang up in press and public meeting and farmers' institute. The new panacea proved popular with the farmers ; by the middle of July thirty farmers' institutes in Ontario had endorsed it, and only one opposed. It was vigorously championed by the Orange-Conservative organ, the *Toronto Mail*, as well as by such representatives of Liberal opinion as the *Toronto Globe* and *Montreal Witness*. The commercial interests were decidedly opposed, as were the majority of the manufacturers, although the minority counted men like Massey of Toronto, Norris of St Catharines, Waterous of Brantford, Turnbull of Galt, Williams of Berlin, Leonard of Chambly, Gibson of Marysville, and others who declared their readiness to face American competition in the wider market. The discussion continued till well into 1888 with unflagging interest ; then the Jesuit Estates controversy in Canada, and the sweeping triumph of high protection in

the United States, abated zeal, only to revive when a general election brought the issue into practical politics.

The attitude of both political parties was shifting and uncertain. 'The effort to obtain the freest possible commercial intercourse between Canada and the United States, consistent with the rights and interests of the two governments,' declared the minister of Finance, Sir Charles Tupper, with axiomatic accuracy, 'is a policy that does not belong to one party only, but it is the property of both parties in this country.'¹ The extent of commercial freedom endorsed varied with the American situation and with the party's relation to the Treasury benches. In the present discussion neither party endorsed Commercial Union. The liberals, disheartened by defeat in the general election of 1887, and distracted by changes of leadership, were at sea for a policy. The retiring leader, Edward Blake, had taken the position in the late campaign that the system of protection was an accepted fact, and could not be rudely disturbed; the new leader, Wilfrid Laurier, had belonged to the Parti-National in Quebec, the intensely protectionist wing of the liberal party. Sir Richard Cartwright and David Mills and John Charlton were more in sympathy with freer trade; and the majority of newspaper guides looked the same way. A suggestion by the liberal member for West Ontario, James D. Edgar, in a series of open letters between Erastus Wiman and himself, published in November 1887, crystallized opinion in favour of Unrestricted Reciprocity, a compromise designed to secure full freedom of trade between Canada and the United States, but retaining the custom-house along the border and the freedom of each party to make what rates it wished against other countries. At the beginning of the session of 1888 this policy was sanctioned in caucus, and it was on this platform that the liberals fought the election of 1891.

The conservative party, though historically more committed to the policy of Commercial Union, were held against it by political sentiment and manufacturers' hostility. At an early stage in the discussion it seemed probable that they would go far toward it. In May 1887, in response to an in-

¹ *Hansard*, April 10, 1888.

formal invitation from Secretary Bayard, conveyed through, if not originated by, Erastus Wiman, Sir Charles Tupper went to Washington, and began the negotiations which resulted in the appointment of the Fisheries Commission later in the year. Following long-established tradition, the Canadian minister of Finance endeavoured to couple the fisheries and trade questions; Bayard and Tupper agreed that the only way to secure a just and permanent settlement was by 'straightforward treatment on a liberal and statesmanlike plan of the entire commercial relations of the two countries.' In the three months' negotiations which followed, more than half the time was occupied in discussing the questions of trade. It is uncertain to what extent the Canadian negotiator was willing to go; later, he denied having made 'an offer of unrestricted reciprocity,' but admitted having made 'an unrestricted offer of reciprocity.' But Congress, irritated by the fisheries seizures, was in no mood for discussing trade relations till the other question was settled, and the goodwill of the Executive went for nought; the arrangement concluded was confined to the matter of the fisheries.

This corner turned, the government benches were free to denounce Commercial Union and Unrestricted Reciprocity alike. On the eve of the election in 1891, the government cut the ground from under the feet of the opposition by announcing that in the course of reciprocity negotiations between the United States and Newfoundland, arrangements had been made, on the initiative of the United States, for a thorough-going settlement of all outstanding difficulties with Canada as well. The policy of the administration comprised reconsideration of the fisheries question, reciprocity in the coasting trade and in salvage, and 'renewal of the reciprocity treaty of 1854 with the modifications required by the altered circumstances of both countries, and with the extensions deemed by a joint commission to be in the interests of Canada and the United States.'¹ Though somewhat weakened by Secretary Blaine's indignant denials that he had initiated the negotiations, the announcement inevitably won those in favour of a measure of freer trade, but dis-

¹ *Canadian Sessional Papers*, 1891, No. 38, sect. 4.

trustful of the political consequences of the more sweeping proposals. Disclosures of annexation plottings of eminent Commercial Union sympathizers injured the wider policy; the election resulted in a tie in Ontario and Quebec, but in the other provinces in a majority for the government, increased in by-elections. After the elections, members of the cabinet made another pilgrimage to Washington, but were unable to arrange a conference with Blaine, still irritated by the unwarranted use made of his name in the Canadian campaign. A year later, an informal discussion was held in Washington between Sir John Thompson, the Hon. George E. Foster, the Hon. Mackenzie Bowell, and Sir Julian Pauncefote, British ambassador at Washington, on the one side, and Secretary Blaine and General Foster on the other. According to the Canadian version of the negotiations, supported by Sir Julian Pauncefote, Blaine insisted that assimilation of the Canadian to the United States tariff and discrimination against the United Kingdom were indispensable; according to General Foster, the former demand was not made a *sine qua non*. At all events the views of the two parties were too divergent to permit of agreement, and the negotiations ended. Two years later the Wilson tariff lowered the duties on several important Canadian products, but the respite was brief; in 1897 came the climax in agricultural protection, the Dingley Act.

The last episode in this chapter followed shortly after the change of government in 1896. The liberal party, chastened by Edward Blake's remarkable letter published on the morrow of the 1891 election, and by by-election defeats, had meantime returned to its old policy of a more limited reciprocity and of general tariff reduction. The endeavour of the United States to secure a revision of the regulations for pelagic sealing in Bering Sea, drawn up in 1893, led to conferences between the new Canadian government and the cabinet of President McKinley, in which a settlement of all outstanding issues was suggested. Finally a joint high commission was appointed in 1898, with Sir Wilfrid Laurier, Sir Richard Cartwright, Sir Louis Davies and John Charlton of Canada, Lord Herschell of the United Kingdom,

and Sir James Winter of Newfoundland as the British representatives. In repeated and exhaustive sittings, beginning in Quebec in August 1898 and ending in Washington in February 1899, all the accumulated difficulties of two decades were discussed—the fisheries on both oceans, the pressure from shipbuilders and navy enthusiasts in the United States for abrogation of the Rush-Bagot convention limiting naval armament on the Great Lakes, the irritating enforcement of the Alien Labour Laws, bonding, coasting, and salvage privileges, the trade relations and the Alaska boundary difficulty. Agreement might have been reached on the majority of the issues, including provision for reciprocal free trade in a limited list of natural and manufactured products, but for irreconcilable differences regarding the Alaskan boundary settlement.

Thus ended a period of unneighbourly quarrels creditable to neither nation, and least to the larger. The conditions were not favourable for a broad and statesmanlike settlement of the outstanding issues, consistent with the economic advantage and the political independence of both countries. The United States, throughout this period, was still dogmatically protectionist, still prosperous, still provincial, still prodigal of resources; the 'muckraker' and foreign complications and wealthy malefactors had not yet disturbed complacency. The organized anarchy of the check and balance system, carried to its illogical extreme in a constitution which kept executive, senate and representatives normally at loggerheads, still made negotiation difficult and ratification a gamble. Canada needed larger markets, but power to force them was lacking; paradoxically, she could only secure concessions when she should become sufficiently prosperous and self-reliant to do without them. Commercial union was a counsel of despair. It would unquestionably have meant a common tariff framed at Washington, with consequences pregnant with financial embarrassment and fatal to self-respect, leading inevitably to a movement for political union as the only way to secure a share in determining the common policy. Unrestricted reciprocity, in the existing temper of the United States, was a delusive dream. In so far as it involved a real control by each country of its own tariff on goods

from other countries, together with entire freedom of trade between the United States and Canada, it was free from the political defects of commercial union, but it was hopelessly out of the question to expect that Congress would agree to accept a measure admitting all the products of Europe, direct or slightly remanufactured, through the Canadian back door. Even George Brown's limited and guarded arrangement of 1874 failed on this ground, and the United States, in the late eighties, with protectionism rampant and expectation widespread that Canada was about to sue for commercial or political union, was much less likely to accept so one-sided an arrangement. When the freer trade party was in power in the United States, the higher tariff party was in power in Canada ; and, when the freer trade forces came to power in Canada, the advocates of higher tariff were again in control in Washington. The gods were against a bargain.

FOREIGN COMMERCIAL RELATIONS : POWER AND POLICY

For many years foreign trade relations meant to Canadians relations with the United States. The rest of the world, outside the British Empire, had not yet come within the Dominion's ken, and much less Canada within the ken of the rest of the world. Until the wakening of the Far East attracted attention to possible markets, and the building of the Canadian Pacific Railway and its Pacific ocean connections gave Canada a westward as well as an eastward outlook, trans-Pacific trade could not arouse wide interest. With Europe, difficulties of negotiation and communication, and the indifference of European powers to the trade of a colony overshadowed by its southern neighbour, made progress slow. The West Indies and South America were linked by closer conditions of trade, but here also political difficulties and domestic distractions prevented any extensive development. Throughout, the attempts to secure more intimate commercial relations in these various directions were sporadic and fitful, suggested as a rule by periodic failures to obtain the open United States market, which had first claim on endeavour.

At the threshold of the problem of extending foreign trade relations was the question of Canada's power to shape her own policy. Her freedom of negotiation was still hampered by survivals of the old colonial system. The dominions beyond the sea were still regarded as appendages of Britain, politically inferior, and requiring commercial oversight, whether, as waning protectionism had held, for Britain's good, or, as the reigning dogmatic free trader maintained, for their own and the world's good. Emancipation came slowly. It may be summarized under three aspects.

First came Britain's abandonment of the power to shape Canadian commercial policy, actively and positively. Twenty-five years before Confederation the last Canadian tariff made in England was enacted. Control of colonial trade policy by monopoly of the treaty-making power, regarded as the symbol and test of sovereignty, outlasted control by tariff-making. The colonies were willy-nilly included in the commercial treaties made by the United Kingdom with foreign powers, or, if not included, it was because of the indifference of both negotiators rather than from any desire to concede self-government. The Empire was not always one, it is true, since the United Kingdom enjoyed privileges in some foreign countries not shared by the colonies, as in France in the seventies, and the colonies in turn, in these omitted instances, were not bound to grant the same terms that Britain gave; but, for the most part, the Empire was one, and the United Kingdom was that one. It was not until 1877 that the colonial secretary, Lord Carnarvon, proposed to the colonies to insert a clause in future commercial treaties, making their adherence optional. The proposal was accepted, and, with occasional omissions and variations, such a clause was henceforth included; Canada used her new power, as a rule, to decline adherence, though no consistent principle of action can be seen to underlie her policy.

Freedom for the future was thus secured, but irksome legacies remained. Canada was still bound by the treaties concluded before 1877. These treaties for the most part provided that Canada must grant the country in question any commercial privilege accorded to other foreign powers,

receiving in return most-favoured-nation treatment. Two treaties, one made with Belgium in 1862, and the other with the German Zollverein in 1865, went further, ensuring to these states equality in colonial markets, not only with other foreign countries, but with the United Kingdom itself. It is significant of the little heed paid to our foreign relations in the earlier years of Confederation, that the operation of the ordinary favoured-nation treaties was widely ignored or misconstrued. The opponents of Brown's draft treaty in 1874 rested their contention that the arrangement meant free trade with the world, not on the favoured-nation provisions, but on the fact that 'as England keeps in stock for sale the manufactures of all nations, and is fast becoming the warehouse rather than the workshop of the world, it follows that free trade with Great Britain means free trade with the world.'¹ As late as 1891 we find Sir John Thompson declaring that in the discussion of reciprocity with the United States in 1887, the views of the British government as to the bearing of the most-favoured-nation treaties had been ascertained, and were to the effect that without any doubt such a treaty would not involve granting similar terms to the most-favoured nations.² Thus far, at least, the treaties in question had not involved any serious inconvenience. The Belgian and German treaties, however, stood in the way of the policy of inter-imperial trade preference; any reduction of duties accorded the United Kingdom must at once be granted to Belgium and the Zollverein, and thence automatically extended to other most-favoured nations. The repeated endeavours made to remove this restriction will be noted in a later paragraph.

Negative control by veto power outlasted positive control by binding act or treaty. Free-trade dogmatism followed protectionist paternalism, or rather stepfatherliness. Belief in the direct benefit to British merchants of free access to colonial markets, in the indirect gain of setting the world a good example, and in the harm of protection to the colonies themselves, led colonial secretaries for many a year to read

¹ *Toronto Mail*, August 27, 1874.

² *Hansard*, August 18, 1891.

economic lectures of unimpeachable orthodoxy and cocksureness to erring colonials, and to endeavour by the veto power to keep them in the strait and narrow path of a free field and no favours. The attempt to forbid tariff discrimination against British in favour of Canadian manufacturers did not survive Galt's spirited memorandum of 1859. When the National Policy was instituted by another Macdonald administration, loud protests were uttered; but the colonial secretary, in response to John Bright's query whether the government intended to represent to the Canadian government the impolicy of a war of tariffs between different portions of the Empire, replied that the government had already cabled expressing their regret, but deeming 'that the fiscal policy of Canada rested, subject to treaty obligations, with the Dominion legislature.' Still milder echoes followed the adoption of the policy of giving extended protection to the iron industry in 1883 and 1887. The right, again, to discriminate in favour of one British colony against another, had been successfully asserted by the Province of Canada before Confederation, was put in practice in 1868 in the case of Prince Edward Island, then outside the union, and reasserted once more in 1882 against Lord Kimberley, whom Sir John Macdonald termed 'a decided autocrat, rather behind the age as to colonial matters.' The royal instructions to the governor-general, requiring the reservation of any such proposals for British review, were amended in 1878, and of late years the right and the practice of such discrimination have passed unquestioned. The right to discriminate against the United Kingdom or other parts of the Empire in favour of a foreign country was opposed more tenably. In 1867 objection was taken to a clause in the Customs Act offering reciprocity with the United States in specified articles, but it was withdrawn, 'in view of Great Britain's long historical course with reference to reciprocal relations between this country and the United States, and also largely because the class of products spoken of were raw materials which did not greatly affect the commerce of Great Britain or other countries of Europe.'¹ Seven years later Lord Derby, acting

¹ George E. Foster in *Hansard*, February 18, 1889.

on misinformation as to the Brown-Fish negotiations in Washington, thought it necessary to declare that discrimination against the United Kingdom would not be permitted. Although Cape Colony later granted the Orange Free State favours not extended to any part of the Empire outside Africa, the matter has not since been put to the test so far as Canada is concerned. It is true that in 1890 the British government vetoed the reciprocal agreement between Newfoundland and the United States, because of Canada's complaint that her interests were prejudiced. But, aside from the fact that even at a later date the island colony has not ranked quite on a level with the larger dominions in the measure of self-government enjoyed, the joint interest of Canada in the fisheries question made this a special case. It will probably not be questioned, that had any ministry in a self-governing Dominion proposed such discrimination of late years, the barrier would be found not in a rusty veto, but in the voluntary resolution of the peoples of the Dominion to recognize the special claims of the United Kingdom.

The third phase of development consisted in the gaining of a positive share in negotiations with foreign countries. The past half century has witnessed a steady development from grudging and hampered concession of a subordinate share, the humble hodman task of gathering materials, to the frank and full recognition of the right to conduct negotiations of far-reaching importance in all but nominal independence. Naturally it was with the United States that direct intercourse first developed. In the negotiations seeking to prolong or revive the old reciprocity treaty, the delegates from the provinces and from the newly formed Dominion had a free hand. In the negotiations with West Indian powers in 1865 to secure alternative markets, on the contrary, the colonial delegates were only authorized to confer with the British minister in each foreign country and to offer him information, while the chairman of the commission, William Macdougall, declared later his belief 'that the despatches which I carried were not the only despatches sent to those Governments and to those colonies.'¹ A demand made by Huntington and Galt

¹ *Hansard*, April 21, 1882, p. 1093.

in the Canadian parliament in 1870 for independent treaty-making powers was opposed by Macdonald, on the ground of the great advantages of British assistance in negotiating treaties—advantages better appreciated by Sir John a year later, when he was one of five British commissioners at Washington. In 1874 Brown was made joint plenipotentiary with the British ambassador at Washington, and carried on the negotiations virtually alone.

With European powers, a free hand came more slowly. In appointing Galt high commissioner at London in 1879, the Macdonald government suggested that, in view of the neglect of specifically Canadian interests in the treaties made by the United Kingdom, separate and distinct trade conventions with foreign powers should be negotiated, and that for this purpose Galt should be considered ambassador at large to Europe. The colonial secretary replied that while Her Majesty's government would readily avail themselves of any representations he might make on behalf of the Canadian government, it would rest with the Foreign Office to determine in each case in what precise capacity to use his services, whether to keep him in London or to send him to assist the British ambassador abroad. In his negotiations with France and Spain in 1879 and 1882 Galt received larger powers than this cautious statement would have forecasted, but he was still hampered by his subordinate position and by the necessity that all his intercourse 'should be filtered through Her Majesty's Minister.' In 1883, at the Cable Conference in Paris, Sir Charles Tupper signed the protocols on behalf of Canada as one of the high contracting parties; in the same year, and again in 1889, in negotiations in Spain he was made joint-plenipotentiary with the British ambassador; in 1887 he negotiated direct with Washington, ending what Bayard termed the 'wordy triangular duel,' Washington-London-Ottawa, which had long delayed and endangered the settlement of differences; and in 1893, along with the British ambassador at Paris, negotiated and signed a treaty with France. In spite of the actual advance, the Foreign Office still maintained the old theoretical position, Lord Ripon declaring in 1895 that negotiations must be conducted by

Her Majesty's ambassador, who would keep the British government informed and seek instructions, but it would be desirable that he should have the assistance, either as a second plenipotentiary or in a subordinate capacity as the British government might decide, of a delegate appointed by the colonial government. Meantime, in parliamentary discussions, demands for wider powers were being raised, notably in 1882 by Blake, who was equalled only by Tupper in his sturdy assertion of Canada's equal status, by Cartwright in 1889, and by Mills and D'Alton M^cCarthy in 1892, the result of discussion and of experience gradually leading to virtually independent control under formal British auspices.

So much for the powers. As to their use, little progress was made for the first quarter century after Confederation. In 1879 Galt was dispatched to France to attempt to secure the recognition of Canada as entitled to most-favoured-nation treatment, a recognition she had shared with Great Britain until 1873, when France discovered that the treaty of 1860 did not specifically include the colonies, and accordingly applied to their products the general instead of the conventional tariff rates. On wooden ships, Canada's chief export to France, this meant a duty of forty francs a ton instead of two, and killed the trade. In retaliation Canada raised her duty on French wines, with like effect. Galt's endeavours came to nothing in face of foreign complications, changes of ministry, and rising protectionist sentiment in France; and so again in 1882. Nothing came of Tupper's efforts in 1883 and 1889 to secure reciprocal advantages in the Spanish West Indies. In 1893, however, renewed negotiations with France, set on foot because of the French revision of the tariff on maximum and minimum lines, with the United States receiving minimum rates on many products Canada produced, led to important results. A treaty was concluded, providing for the admission of Canadian fresh-water fish, apples and pears, canned meats, building timber, paper, boots and shoes, common furniture, wooden sea-going ships, and other minor articles into France at the minimum rates, and for reduction of Canadian duties on wines, soap, nuts, plums and prunes; direct shipment of Canadian products to France was required

to secure the special rates, but no corresponding obligation was imposed on France; Canada agreed to grant France and her colonies any commercial advantage given to a third power, while France limited the most-favoured-nation treatment of Canada to the articles enumerated in the treaty.

THE DEVELOPMENT OF FOREIGN TRADE

The foreign commerce of the Dominion advanced rapidly after the revival of trade in 1870, reaching a climax in 1883 which was not again attained until 1893. The fall in prices of the later years masked the real, if slow, progress that was being made. The aggregate foreign trade, which in 1873 had been \$217,801,703, fell to \$153,458,682 in 1879, rose to \$230,339,826 in 1883, and ebbed and flowed slightly until in 1896 the mark stood at \$239,025,360. The exports of Canadian produce experienced two upward swings, one culminating in 1882 and the other beginning in 1892. In farm produce, cattle and cheese exports to Great Britain accounted for the greater part of the increase, bacon beginning to bulk large after 1892. The exports of wheat and flour showed surprisingly little expansion; in value, the eight-million mark of wheat exports in 1874 was not again touched until 1898, though the quantity was occasionally slightly exceeded; the export of flour in fact declined both in quantity and in value. For mineral products the United States remained as dominantly the market as Great Britain for farm produce, the exports slowly doubling in the period. Forest exports, which the same two markets continued to absorb in fairly even quantities, remained stationary, the high-water mark of 1873 not being reached again until 1897. In the case of the fisheries, on the contrary, other markets, chiefly those of the West Indies and south-western Europe, held first place, absorbing steady quantities of salted codfish, the United States adding fresh fish and lobsters, and Great Britain canned salmon, to their demands. Manufactures doubled to seven millions in 1895, the increase being due chiefly to leather, cotton, agricultural implements, musical instruments, liquors, wood-pulp and household effects. Until 1890 the

question whether Great Britain or the United States would prove the better outlet was undecided, though for the greater number of years the balance inclined in favour of the former ; but in that year, thanks to the M^cKinley tariff and allied causes, the total British purchases rapidly drew away, and in 1895-96 were sixty-two as against thirty-four millions. The total exports to other countries showed remarkable stability at seven or eight millions throughout, adding a million or two in the closing years of the period, the West Indies, Newfoundland, South America, Germany and France being the leading customers. Meantime the imports told a different tale. From the United States, imports for home consumption varied little in value, the levels in 1874, 1883 and 1895 being practically the same, between fifty and fifty-five millions. But in imports from Britain the trend was downward ; the sixty-eight millions imported in 1873 had fallen to thirty-one in 1879, rose to fifty in the prosperous year 1883, and then fell, rapidly in the later years, to thirty-two millions in 1896 ; the chief decline came in cottons, woollens, and manufactures of iron and steel. Of other countries, Germany in the later years rose to first place, with a total of five millions, followed by the West Indies and France.

THE FARMER AND FALLING PRICES

The farmer's vested right of grumbling at his lot had justification in this period, if ever. It was a time of crippling competition, of vanishing profits, of slow and painful re-adjustment to new conditions. The world over, production seemed to have outrun consumption. In the United States, in Australia, in Argentina and Chile, in Russia, in India, tens of millions of new acres were growing grain or pas uring countless flocks and herds. The improvement of railroad and steamship facilities poured this embarrassing abundance quickly and cheaply on the common markets of the world. The sudden expansion of the supply of food and raw materials, coinciding with the failure of the world's gold supply to increase in proportion, and the demonetization of silver, brought a fall of prices, world-wide and world-disturbing.

Wheat prices in England, which had averaged \$1.75 a bushel in the ten years following Confederation, fell to \$1.28 in the next decade, and to .88, or half the earlier price, in the years from 1887 to 1896. The general level of prices, according to Sauerbeck's standard index numbers, fell from 111 in the climax year of 1873 to 88 in 1880; 72 in 1885; 72 in 1890; 62 in 1895; and in 1896, 61, the lowest average in the century. Translated from statistics into social movements, this fall in prices involved, in the United Kingdom, deep agricultural depression and revival of fair trade doctrines; on the continent of Europe, the upbuilding of agrarian protection; in the United States, abandoned New England farms, defaulting Kansas mortgages and populist free silver agitation. Canada's West had not yet developed sufficiently to enable her to share materially in the benefit of the increased production, and her East had thus to bear the brunt uncompensated. The fall in prices here, as elsewhere, lowered cost of production and cost of living in what the farmer had to buy, and, for the men who could read the lesson of the time and adapt themselves to new conditions, there was a measure of relief in the development of specialized farming industries. But to the farmer of less enterprise and more conservatism, the man who had barely succeeded when all was in his favour, this day of trial brought hardship and hopelessness.

The area occupied and the area improved grew one-third from 1881 to 1891, but in the next decade remained nearly stationary, the land under crops actually decreasing in the later period. In the Maritime Provinces, the farming population decreased in both decades; in Quebec and Ontario there was a slight increase; and in the western provinces a growth large in percentages but small in absolute numbers. A marked feature was the development of state aid, the federal and Ontario governments showing especial activity. All the varied knowledge needed for converting farming from a haphazard rule of thumb trade into a scientific profession,—the knowledge of the market, of the principles of underdraining, of the stock or seed best suited to the land's capacity and the consumer's need, of the efficient method of curing cheese or packing apples, of the means of averting and fighting pest

and disease, of where and how to sell,—the state sought to place at the farmer's disposal, taking the enterprising farmer's son to college, or taking the enthusiasm and the science of the college and the experimental farm and the department to the farmer, by bulletin, association, institute meeting and travelling demonstration.

The farming possibilities of the Pacific province were only beginning to be appreciated. The construction of the main and branch lines of the Canadian Pacific, and the mining discoveries in the southern mainland, brought immigrants and markets; the land in the lower Fraser valley, the Okanagan valley and other scattered districts was rapidly being taken up, but it was not yet put to the uses for which it was best fitted. British Columbia grew less than one-hundredth of the grain of Canada, and even of apples in 1891 its yield was only one-hundredth of Ontario's. Alberta was in the heyday of its ranching fame. The buffalo had scarcely been driven from the plains, annihilated by ruthless white hunters, when in 1881 an immense herd of Montana cattle was driven across the border to stock the Cochrane ranch near Calgary, and make the beginning of a great industry; ten years later there were over a quarter million cattle roaming the plains the year through, and horse ranches and sheep ranches shared attention. Western Assiniboia followed Alberta's development, and the eastern district paralleled Manitoba's. In the wheat-growing prairie the farmer was learning how to combat drought and frost, and hoping against hope for better prices and cheaper freights; mixed farming was being widely preached but little practised, in face of the gambling chance of a good wheat year; the bonanza farms, whether from the incapacity of the managers of the legendary type, who bought forty city watering-carts in a dry summer, or from the inherent difficulty of minute supervision, were proving failures. Ontario still provided the bulk of the settlers; foreign immigration grew slowly; English capital and English management played a bigger part than in any period before or since.

In Ontario and Quebec progress was greatest in the specialized industries. Wheat-growing continued to decline :

the staple barley trade with the United States was hard hit, first by the increasing use of substitutes for barley malt, and later by the M^cKinley tariff, and attempts to grow the two-rowed barley the English market demanded came to nothing; oats and corn and barley as well were grown increasingly as the live-stock industry expanded. Dairying continued to present far the brightest page in the farmer's record; soon Canada, which still meant the central provinces, was supplying half Britain's market for cheese, though attempts to increase the success in butter exports failed, whether from the difficulty of securing uniformity of quality or from the fact that butter flavour deteriorated, and cheese flavour improved, in the long interval between making and marketing, or from the greater profit of cheese-making at prevailing prices. The shipment of live cattle and sheep to England, where a few weeks' grazing gave a market finish, was seriously threatened in 1892, when, on the plea of the existence of pleuropneumonia in a Canadian shipment, the regulation requiring slaughter at the port of entry was applied to Canadian as it had previously been applied to other cattle. The Canadian authorities demonstrated convincingly that contagious pleuropneumonia did not exist in any Canadian herd, and in the hundreds of thousands of cattle slaughtered, no evidences of this disease were found; yet prohibition stayed. Doubtless there was something in the British official contention that the disease might develop suddenly, and that it was unwise to expose British herds to any risk, yet it was clear that the regulation was simply disguised protection for the British stock-raiser, a slight foretaste of what Britain's return to protection would mean. Hog-raising became important as a by-product of the dairy industry, the skim milk providing a cheap food. Side by side with the dairy and breeding industries, fruit-growing gained in importance, with the development of better methods of cultivating and of shipping and marketing, the old system of consigning fruit to commission agents in city markets, with all its chances of glut and dishonesty, giving way to the practice of shipping direct to order. Down by the sea, the growing of grain and roots and hay was stationary, the splendid advantages of Nova Scotia

for stock-raising and the dairy industry remained unutilized, and only in apple-growing was any notable progress made. Ontario retained its agricultural leadership; according to the census of 1891 it produced half the hay and roots and three-fifths of the grain of the Dominion, half the sheep and cattle, and two-thirds of the swine sold, and more than two-thirds of the dairy products; Quebec, however, especially in the later years, was lessening Ontario's lead.

THE FISHERIES : SLACKENING GROWTH

The harvest of the fisheries continued to expand, but at a slower rate than before. The twelve millions at which the catch was estimated by the federal authorities in 1877 had grown to eighteen in 1887, and twenty in 1897; these estimates, it must be borne in mind, are, from the nature of the scattered industry, only approximations, which, according to some experts, exceed, and according to some others, fall below the real worth, but they probably reflect with sufficient accuracy the broader changes from period to period. The government continued its fostering care, endeavouring to preserve the wealth of the sea from poaching foreigner and reckless citizen alike. The friction on the Atlantic coast which followed the ending of the Washington Treaty has already been noted; on the Great Lakes the neglect of the states on the southern shores to protect their resources brought depletion and led to poaching in the better preserved fisheries in Canadian waters: a joint commission appointed in 1892 reported at length on the situation, but no joint legislation followed. Begun in 1882, in order to encourage deep-sea fishing, an annual vote of \$150,000, increased shortly to \$160,000, was distributed by the federal government to vessel- and boat-owners and fishermen, a petty dole of doubtful value compared to the results which equal concentrated expenditure would have brought. Seven years later an Intelligence Bureau was established, to give warning of the movement of fish and bait.

In British Columbia the salmon was still the only fish of commercial importance. Pelagic seal-hunting had practically

begun in 1878, when the Indian canoe, venturing a few miles from shore, was replaced by the white men's schooner sailing far to sea. Its rapid increase, it has been seen, led to complications with the United States and Russia; the first year under the Paris regulations, 1894, witnessed the largest catch on record, ninety thousand skins, but thereafter decline began. The whitefish and sturgeon of the north-west lakes found a market chiefly in the cities of the western states. The frontier lakes were fished with increasing vigour and systematic organization. On the eastern coasts the un-failing cod yielded the accustomed harvest, but the mackerel catch, whether because of destructive purse-seining or from more obscure causes, dwindled rapidly. The lobster pack grew steadily, but the outlook for the future became doubtful; the size of the lobsters canned decreased as the number of canneries increased. The cod still yielded the highest total in this period, but the salmon had taken second place, followed by the herring, the lobster and the mackerel.

THE UPS AND DOWNS OF MINING

The mining industry continued its record of ups and downs, but on the whole progress was visible. The total value of the mineral production of Canada was estimated in 1886, when the Geological Survey issued the first comprehensive summary, at ten millions, and ten years later at twenty millions.¹ The distinctive features of this period were: in Quebec, the development of the asbestos industry; in Ontario, the opening up of the copper-nickel deposits of the Sudbury district; and in British Columbia, the beginning of lode-mining. In not a few instances the progress of railroad construction, both by facilitating transport and by cutting through important deposits, did something to foster the industry.

Gold-mining continued of little importance in the east,

¹ The estimates of mineral production, published formerly by the Geological Survey and latterly by the Mines Branch of the department of Mines, are based for the non-metallic minerals on the values on the spot, but in the case of other minerals they represent the value of the metal at New York market values; hence they do not indicate the amount actually received by the Canadian producer.

despite discoveries of quartz veins carrying free-milling gold in the Lake of the Woods district. In British Columbia the prospecting of the Kootenays in the early nineties led to important developments in the working of nearly all the important metallic minerals. The famous Rossland camp was located in 1890, but it was not until 1893 that the first shipments of gold-copper ores were made ; in 1895 a smelter was built at Trail, and by 1896 railway and smelting facilities brought the output over the million dollar mark. Also in silver and lead British Columbia now monopolized Canadian attention ; the rich galena ores of the Slocan district were discovered in 1891 ; in 1893 came railway connection and the finding of the St Eugene mine in the Fort Steele division ; by 1896 silver to the value of two millions and lead of three quarters of a million were produced. The copper contents of the Rossland ores gave British Columbia a place in the Dominion's copper development, but as yet the bulk of production was in the East. The Eastern Townships deposit continued to be worked steadily, while the high proportion of sulphur led in 1887 to the construction at Capelton of a profitable sulphuric acid plant. In Ontario there came in 1884, with the construction of the Canadian Pacific through the rocky Lake Superior district, the discovery, or rather the rediscovery, of rich copper deposits in a railway cutting near Sudbury. In 1886 the Canadian Copper Company, a United States corporation, began active development, shipping the ore to a New Jersey refinery ; there it was found that nickel was present in large quantities, and soon the nickel overshadowed the copper, thanks to growing demand and to Canada's control of the bulk of the world's known resources. By 1891 the nickel produced annually was valued at two and a half million, though in 1896 falling output and prices had reduced the total value to half this sum. Nowhere in Canada, however, had iron-mining yet attained important heights, in spite of widespread endeavour.

Both in British Columbia, where operations were still confined to Vancouver Island, and in Nova Scotia, coal-mining showed steady progress. Ontario's petroleum industry grew slowly, the Lambton field being remarkable both

for the very low yield of the average well and for its long life; to an increasing extent, however, both refiners and consumers depended on imports from Ohio and Pennsylvania. Salt production fell rather than rose, the free imports from across the seas supplying the bulk of the Canadian demand. In Quebec the discovery of calcium phosphate or apatite in 1878 led to the development of a flourishing industry, which collapsed early in the nineties, when the opening up of rich deposits in the southern states and North Africa took away the market for this fertilizer. Meantime, the amber-mica, found usually in conjunction with the apatite, was becoming more valuable, as the electrical industry, demanding mica for insulation, developed, and thus compensation was secured. However, it was asbestos that gave Quebec an important place in the mining world. The building of the Quebec Central in 1877 across the serpentine belt at Thetford, in the Eastern Townships, led to its discovery; difficulty was found in marketing the fifty tons produced the first year, but its application to new uses created a demand in excess of supply; the price of crude number one fibre rose from fifty dollars a ton in 1881 to five times that figure in 1891. Later, industrial depression, and the difficulty of hand-picking the fibres from the rock, arrested progress, and in 1895 the value of the whole output was less than one-third of the value in 1890.

MANUFACTURES : TRANSITION AND READJUSTMENT

In manufacturing as well as in agriculture, this was a period of transition and readjustment. The small neighbourhood establishment, the grist-mill, or woollen mill, or carriage works, serving local needs, found itself hard put to compete against newer rivals working on a larger scale, and served by the ever more complex mechanism of marketing, advertising, and shipping and credit facilities, which enlarged the dominion of the city plant. And the larger establishments themselves, multiplied rashly on the strength of tariff favours or fleeting Western booms, found oftentimes the market overstocked, and combination the alternative or the sequel to bankruptcy. There was a notable revival in

manufacturing activity in 1879, thanks to the improvement in United States conditions and the adoption of the National Policy, but after 1882 came collapse, and from that day till well on into the nineties the cloud never lifted long. The slow development of the West, the stagnation of the rural East, the fall in farm prices, meant for the manufacturer cramped markets and decreasing purchasing power among consumers. Lacking the larger market, he lacked the conditions which might have made protection succeed.

Among the industries favoured by the National Policy, the cotton industry took first place. The Canadian market for all but the finest grades seemed assured by the high tariff, and capital jumped at the opportunity. Between 1879 and 1885 nineteen mills were established, bringing the number of spindles from about two to five hundred thousand. Half the mills went into producing plain greys, with the result that early in the eighties there was loom capacity for twice Canada's consumption; the opening of the Magog print-works in 1884 afforded a partial outlet, but the glut continued, and in 1885 cotton shares were selling at fifty cents on the dollar. Remedy was sought by bringing the mills under single control, reducing the output, seeking markets in the Far East,—by 1887 five and a half million yards were shipped to China,—specializing the work of the different mills, and adding new lines. Renewed expansion brought back trouble, and in 1891-92 a more permanent control of the market was secured by the formation of two syndicates, the Dominion Cotton Mills Company and the Canadian Coloured Cotton Mills Company, comprising nineteen of the twenty-six mills. In woollen circles, the chief development was the establishment of knitting-mills to manufacture hosiery and underwear, utilizing, somewhat tardily, American inventions which had made it possible to knit shaped garments to take the place of the earlier home-sewn flannels. The linen industry failed to take root, though the manufacture of cordage thrived, and the self-binder called binder-twine factories into existence.

Flour-milling was transformed by the adoption of the Hungarian or roller process. The pork-packing industry remained stationary through the eighties, the number of hogs

slaughtered in 1876-77 not being reached again until 1890-91. The imposition of higher duties on meats in 1890, and the growing use of dairy by-products for feeding, helped both farmer and packer, and by 1895-96 the annual pack was six hundred thousand hogs. The utilization of waste products brought marked increase in economy and efficiency. The canning industries, fruit and vegetable as well as fish-preserving, assumed large proportions with improvements in technical processes and the dying out of popular prejudice against canned goods. The cheese industry continued to be the farmer's chief source of cheer in troubled days. Sugar-refining was revived by higher protection, over ninety per cent of the sugar for home consumption being produced in Canada. A social change was reflected in the lessening output of distilleries and the rapid increase of brewery products. Tobacco manufacturing thrived, the tendency being to concentrate the manufacture of pipe and chewing tobacco into the larger establishments, while smaller cigar and cigarette factories sprang up.

Saw-mills and planing-mills continued among the most important of Canadian industries. Furniture factories grew in number and output, especially in Western Ontario, though dependence on foreign woods was growing with vanishing hardwood forests and changing tastes. The invention of mechanical and chemical methods of making paper from pulpwood gave Canada, with its vast resources of spruce and poplar and its unequalled water-power for turning the heavy grinding machinery which the mechanical process required, its opportunity; the five small pulp-mills of 1881, with their sixty thousand dollar output, had grown to twenty-three by 1891, with an annual output exceeding a million. Paper-making as a whole showed little advance, however, the decrease of rag products balancing the increase in pulp products. The continued decline of the wooden ship struck a heavy blow at the Maritime Provinces, where shipbuilding was the most widespread industry. Lack of the larger capital and the more specialized skill required for iron or steel shipbuilding, and the high cost, not only of iron or steel plates, but of the fitting and furnishing accessories, prevented the develop-

ment of the newer industry on any important scale, and consequently the total tonnage built in Canada, which had been 183,000 in 1874, fell to 32,000 in 1886, and 16,000 in 1896, the lowest year since Confederation. The basic iron and steel industry was making progress slowly. The production of pig-iron, for which a bounty was established in 1883, fluctuated between twenty and sixty thousand tons in the next dozen years ; in 1894, for the first time the home production exceeded the imports. Quebec's charcoal furnaces and Nova Scotia's ill-fated Londonderry and prosperous Ferrona coke furnace, the latter in blast from 1892, contributed this total ; in Ontario not a furnace was in blast till 1896. Ontario's smelting industry was confined to the Copper Cliff works, where the copper-nickel ores were smelted and bessemerized into an eighty per cent matte, and shipped to New Jersey to be refined. The closing years saw the beginnings of British Columbia's notable metallurgical development, in the establishment of smelters in the Boundary district.

A marked feature of the period was the increase of combinations among manufacturers, and, in a less degree, among distributing agents. Especially in Ontario, manufacturing and mercantile life had attracted from the farm a proportion of the population, excessive in face of the slow expansion of the home market. In many industries, over-production had been caused by the adoption of immensely more productive machinery and processes, by the opening up of abundant natural resources such as oil and salt, and by the encouragement given to investment in favoured industries by the tariff. At the same time, with improved selling facilities, the whole Dominion was becoming one market, and competition more keen and relentless. Forced by losses or induced by hopes of gain, manufacturers turned to combination.

The favourite form adopted was the organization of agreements among independent producers for determining prices and conditions of sale. Perhaps the earliest and most enduring selling agreement was that covering stoves and other foundry ware, organized in 1865, and successful in its aim of preventing cutting of list prices. Other notable but less permanent organizations were formed in the biscuit,

confectionery, and leather trades, and, in another sphere, by the fire insurance companies. Occasionally the more developed form of the pool was adopted. Thus, Ontario oatmeal millers, finding in 1887 that there were sixty mills with a capacity of nine hundred thousand barrels, and that four of the biggest could supply the whole domestic consumption, amounting to one hundred and fifty thousand barrels, organized the Oatmeal Millers' Association, which agreed on a uniform buying price for oats, closed up ten mills, pensioning their owners, and allotted each of the operating mills a share of the output, subject to a fine for excess and a premium for short production. So the leading binder-twine and cordage factories of Quebec and the Maritime Provinces, with a capacity twice the home markets demand, organized a pool in 1884, which for the term of its existence, worked, as usual, chiefly to the advantage of the smaller establishment. Out and out consolidation was the solution adopted in the early nineties in the cotton industry and the agricultural implement industry, in which many once notable companies had been forced to the wall. The manufacturers of coffins and undertakers' supplies introduced an interesting variation by making a hard and fast alliance with the Undertakers' Association of Ontario. The latter body, organized in 1884, after adopting a Code of Ethics, which concluded with the assertion that there was 'no profession, after that of the sacred ministry, in which a high-toned morality is more imperatively necessary than that of a funeral director's; high moral principles are his only safe-guide,'¹ came down to details in rules providing that no new aspirant should be permitted to join the association without the consent of three out of four of the nearest members to the proposed place of business, and that members would purchase goods only from members of the Dominion Burial Case Association, who, in their turn, agreed to sell only to members of the other body. The Wholesale Grocers' Guild endeavoured to stereotype the existing system of distribution, from manufacturer through wholesaler to retailer and ultimate consumer, by arranging with the manufacturers of sugar,

¹ *Report of House of Commons Select Committee on Combinations, 1888, p. 707.*

starch and other staples, that the latter would not sell to non-members of the Guild, except at a fixed advance.

Where the tariff did not give undisturbed control, friendly agreements were entered into with similar organizations in the United States. The undertakers aforesaid, for example, finding that rejected candidates were bringing in coffins even over the high tariff wall, joined the Funeral Directors' Association of America, and arranged through their United States allies to prevent further sales to outsiders. The members of the coal rings which were formed in Toronto, Montreal, Ottawa and London, claimed in defence that combination had been forced upon them by the United States railways, which controlled the marketing of anthracite; and no doubt it was the policy of these railways to co-operate with local organizations on both sides of the border, though there is room for question as to the amount of force required to induce the Canadian importers to combine. It is certain, at all events, that when a Toronto manufacturing firm dared to buy coal direct from a Buffalo company in 1886, the Toronto organization was able to have the latter fined a thousand dollars by the Buffalo association. Canadian jobbers of watches joined hands with United States jobbers and manufacturers to prevent dealers who were selling direct to the public by catalogue, from obtaining Elgin or Waltham movements. And as early as 1879 we find Canadian rubber manufacturers taking part in a New York conference for regulating prices for the whole continent. In no case, however, did these secret relations interfere with public protestations of the necessity of a high tariff wall to prevent too intimate relations with predatory foreigners.

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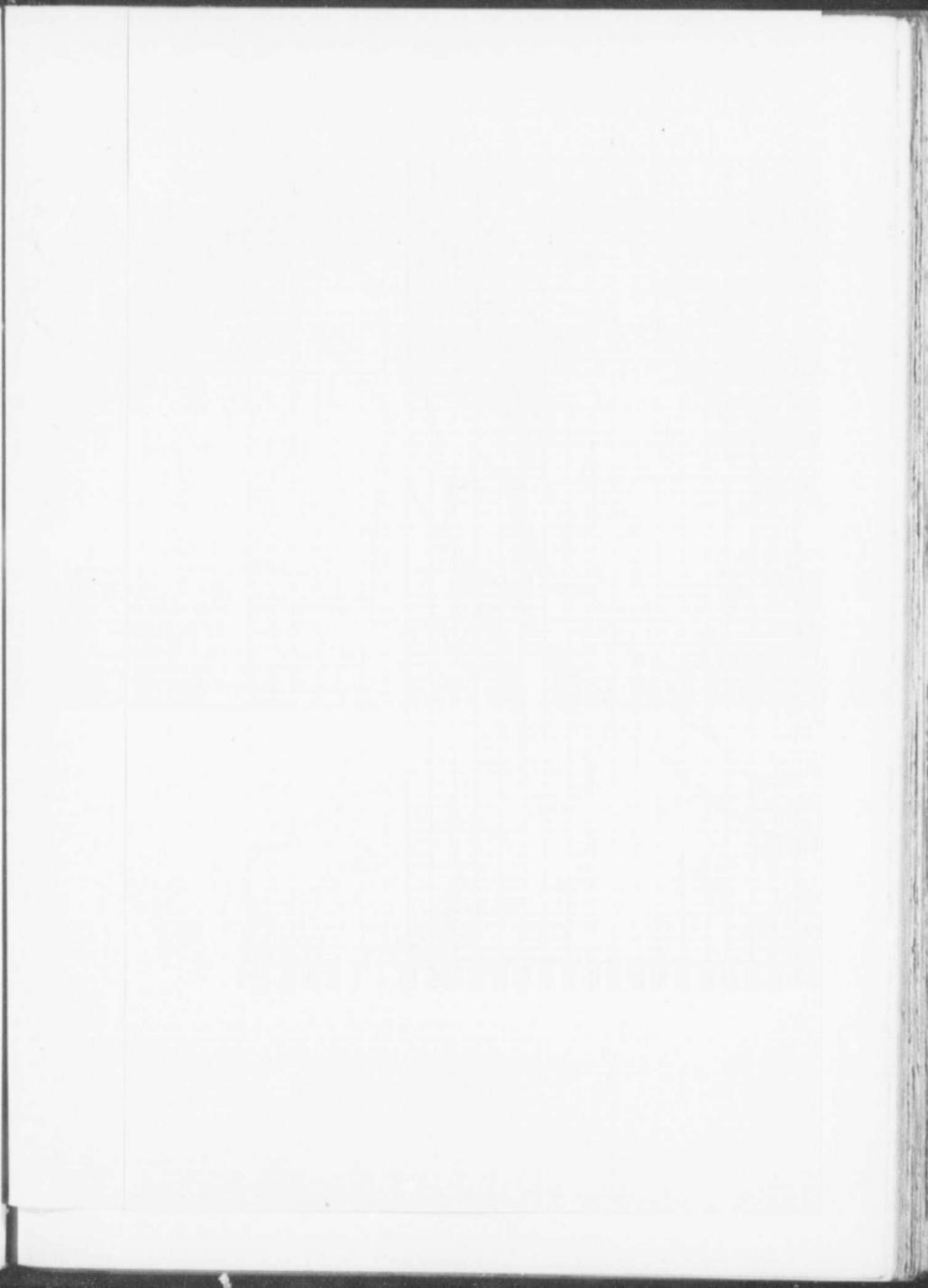
1896-1912 : THE COMING OF PROSPERITY

THE OPENING OF THE WEST

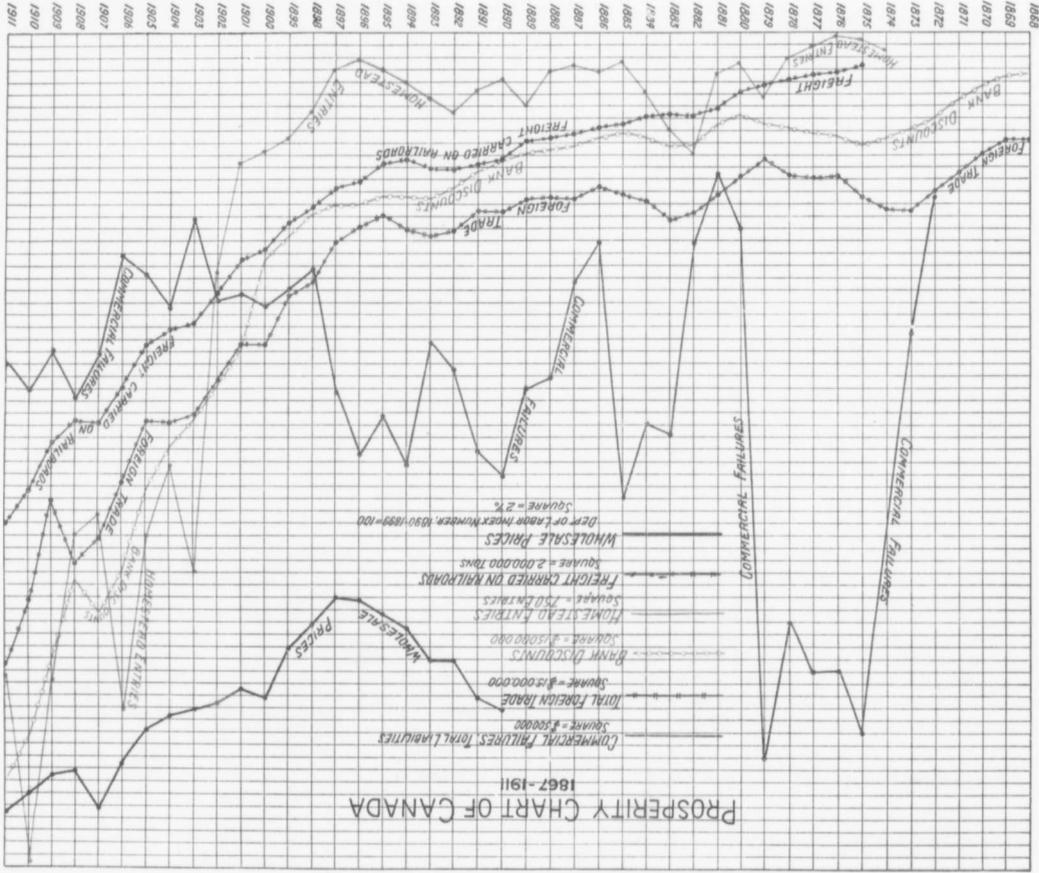
AT last Canada's hour had struck. The settlement of the western plains had long dragged on with disheartening slowness, and eastern development, except in the two or three largest cities, had kept the same pace.

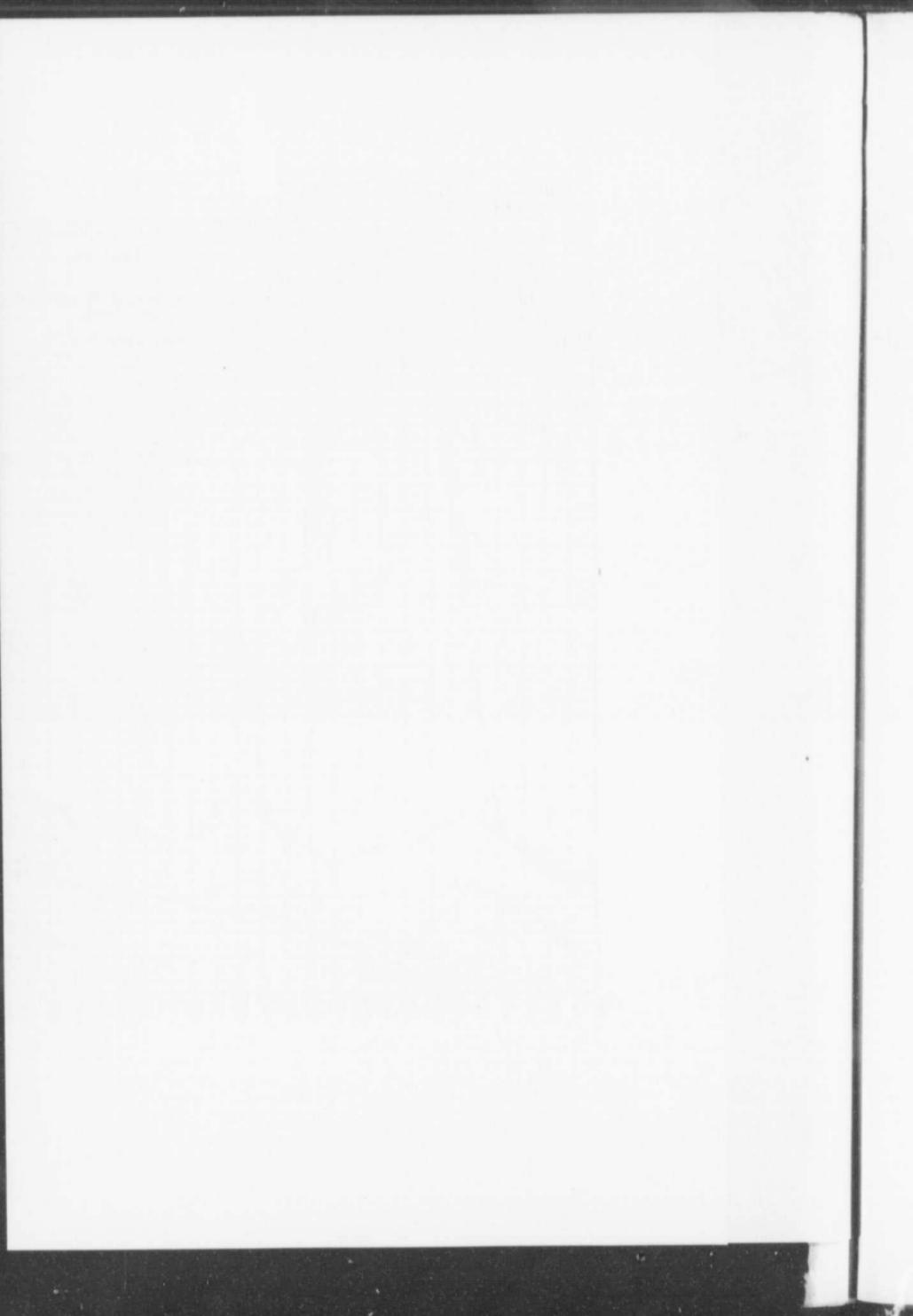
Then after 1896 a fortunate conjuncture brought a sudden and remarkable change. World-wide factors played a part; population and consumption were again overtaking production, and increasing gold supplies and other forces were raising prices; wheat and cattle rose once more to profitable levels. The United States situation was of determining importance; the rapid growth of its urban population, simultaneously with the ending of fertile homestead areas and the substitution of corn and coarse grains on much of the old land, exhausted by reckless wheat-mining, made it eminently necessary to seek new sources of wheat supply. Western Canada offered limitless land, cultivated by the methods familiar in the western states, and available at a fraction of the price for which the emigrant's Iowa or Minnesota farm would sell. Individual farmers and land companies saw the harvest to be reaped in the inevitable rise of land values, and the northward trek began. In Canada itself, experience was enabling the western farmer to cope more effectively with frost and drought, and bountiful harvests in areas once stamped barren lured the home-seeker.

The treasures below the soil were discovered and developed in the same period as the treasures in the soil. The gold and silver and lead and copper of Southern British Columbia, the bonanza creeks of Klondike, the rich ores of Cobalt, proved lodestones of population. Here as elsewhere it is questionable whether the wealth taken out equalled the wealth put into prospecting and development, much less the money paid for stock; but the discoveries served a purpose by giving a spectacular advertisement of the country, and leading to consideration of its permanent sources of wealth. The more prosaic but more paying riches of the coal-mines of British Columbia and Alberta, of the iron ores of Newfoundland's Wabana, or of Michipicoten, were now exploited. The approaching exhaustion of the timber and especially the pulpwood resources of other countries gave new value to Canada's forests. The rapid development of hydraulic engineering skill revealed the value of the asset her water-powers constituted. On all sides the natural wealth of the country called for men and money to develop it.



PROSPERITY CHART OF CANADA 1867-1911





THE FLOW OF POPULATION : INWARD, OUTWARD,
WESTWARD, CITYWARD

Men and money were both to be had in plenty. The British Isles still sent their swarms over seas, though land reform was checking the drain in Ireland. In Western Europe, prosperity, more even distribution of wealth, lack of the spirit of adventure, or government opposition, had lessened the outward flow, but in Southern and South-Eastern Europe the development of facilities for transportation and the activities of the agents of oversea governments or mine-owners or railroad contractors, had set a flood in motion, which more than balanced the western decline. British, and in a less degree, French and Belgian and German capital were seeking new openings for investment, and turned to Canada because the old fields had been harvested. The United States was largely providing its own capital, Argentine rails and South African mines had lost their glamour, Australian failures deterred investment, and at last Canada had her chance. Thanks to the energy of her own sons and of enterprising Americans, her capabilities were being proved ; and, once they were proved, the flow of European capital began.

State action co-operated to draw the needed men. The forces of publicity were employed with a fertility of resource unparalleled in governmental record. The change of administration brought new blood into the immigration department. The immigration campaign, which for some years had become stereotyped and routine-bound, hampered by lack of funds, was reorganized and given new vigour. The United States field was first developed. In 1897 advertising was placed in five or six thousand United States newspapers ; hundreds of farmer delegates were sent on free excursions through the West ; press associations were given the freedom of the plains ; agents were awarded bonuses on every emigrant dispatched. The results of these business methods, acting in conjunction with the more impersonal factors already cited, may be briefly summarized in the statistics

of the immigration from the United States: 1897, 9000; 1912, 133,000.

Then in 1901 the same methods were applied in Great Britain and the same results followed. The influx of United States farmers afforded the most convincing proof of Canada's superior advantages. The railway companies with lands to sell or traffic to seek, vigorously supplemented the government campaign. Various provinces, especially in the latter years of this period, endeavoured to obtain the immigrants required for their especial needs, Saskatchewan and Ontario advancing partial fares to farm workers or domestic servants, British Columbia aiding the Salvation Army's emigration activities, and Nova Scotia, and later New Brunswick, arranging through loan companies to advance the bulk of the purchase price of farms. The number of British immigrants rose from an average of ten thousand in the last years of the nineteenth century to fifty thousand in 1904, and one hundred and thirty-eight thousand in 1912. At the end of this period, Canada has become the chief destination of emigrants from the United Kingdom, far surpassing the United States, though Australia, imitating the Canadian policy of publicity and offering liberal reduced or advanced passages, was again becoming a close rival. Between them, the Commonwealth and the Dominion now attracted the great bulk of British emigrants; while as late as 1900 only one of every three who left the United Kingdom went to other sections of the British Empire, a dozen years later four of every five stayed under the flag. A larger proportion of the British immigrants were townsmen than in the case of the United States or European influx, and naturally a greater proportion settled in the Eastern towns, which had less elastic assimilating powers than the Western prairie. Consequent congestion made it necessary in 1908 to curb the indiscriminate activities of charitable societies in Britain, and to 'hand-pick' assisted immigrants, with gratifying results both in quality and in numbers.

Meantime the Continental immigration was increasing at almost equal pace. The hostility of the majority of European governments to open emigration propaganda hampered activities in the most desirable quarters. Ruthenians and

Doukhobors, Russian Jews and Italians, formed the bulk of the Continental immigration. Much hostile criticism was aroused by the difficulties these newcomers presented in helping to form a united and homogeneous nation. It was generally recognized, however, that Canada was more fortunate than the United States, in that the bulk of her Slav immigrants settled on the land, instead of congesting the large cities and mining areas. The proportion of Continental immigration, which in 1898-1900 had been nearly forty-five per cent of the whole, fell in 1910-12 to half that proportion. In the whole period from 1897 to 1912, the total immigration was over two and a quarter millions; the British Isles sent 961,000, the United States 784,000, and the rest of the world 594,000.

The total increase in population in this period was marked; between 1891 and 1901 population grew from 4,833,239 to 5,371,315, and in the following decade to 7,204,838, practically double the population of forty years before. Great as was the increase in the latter period, it proved disappointing to many who had based their calculations on the great flood of immigrants reported in the government statistics, amounting for the decade to about 1,600,000, or within a quarter million of the total increase. It had been overlooked, however, that there was a constant, if slackened, drift of native- and foreign-born to the United States, and that the eastward flow of returning tourists, dissatisfied emigrants, and successful settlers returning for a short or longer stay in their native land, amounted to large dimensions; in 1910, for example, the British Board of Trade recorded 156,000 passengers to Canada and 41,000 returning, and similarly, it may be noted, to avoid misconception, 132,000 outward to the United States and 58,000 returning, and 27,000 to South Africa with 18,000 returning. These allowances made, the results gave good ground for content.

Within Canada migration from one section to another proceeded much more rapidly, with the happiest results both for the industrial development of the newer regions and the national unity of the Dominion. Ontario sent her thousands to all the west, including her own upper territory; Quebec

expanded towards the north, and on her Ontario and New Brunswick borders; the stream of the Maritime Province emigration was diverted to a great extent from New England to the newer maritime province of the Pacific; Manitoba's pioneers and sons of pioneers sought a farther west. In consequence of this movement, the emigration to the United States slackened, though it did not entirely cease, nor was it likely entirely to cease, so long as neighbouring United States cities, like Canadian cities, stir the ambition of the farm and village youth. The number of native-born Canadians resident in the United States grew only by eleven thousand between 1900 and 1910, from 1,181,255 to 1,192,605, as against increases of one hundred and eighty thousand in the nineties, and two hundred and eighty-three thousand in the eighties.

More disturbing were the figures showing the steady drift from farm to city. In spite of the opening of millions of acres of new land to settlement, the rural population of Canada fell from sixty-three to fifty-five per cent in the decade from 1901 to 1911. Even in the four western provinces the urban population showed a much greater relative increase than the rural, and approached the rural growth in absolute amount, while in every one of the eastern provinces except Quebec there was an actual decrease in the country population. In the East there was little to surprise, if much to disturb, in this cityward drift. It was a phenomenon common to all twentieth-century lands, to England and to Prussia, to Vermont and Ohio and Iowa, to Australia and New Zealand, as well as to Ontario and New Brunswick. The inclusion of one farm task after another—weaving, tool-making, soap-making, slaughtering—in the scope of the urban factory; the improvement of farm methods and farm machinery, making it possible to do the work still left to the farm with fewer hands; the encouragement given the city as contrasted with the country, by tariff favours; the increasing array of financial and commercial middlemen required as communities became less self-sufficient and more dependent on world-wide exchanges, rendered the shifting inevitable. The prizes of wealth and power the city held, the longing for the education or the amusement or excitement it would offer, perhaps determined

rather who, than how many, should go. In the West, special circumstances explained the same tendency. The Pacific province was not pre-eminently agricultural; the rich delta or valley lands which bulked largest in its farm wealth were closely settled; its mineral wealth created the mining-camp and mining-town; its manufacturing and especially its transportation advantages called cities into being. On the plains and prairies the process of specialization, which has been already noted, was carried to the extreme, and the rancher or wheat-farmer had to buy from towns, not only his implements and his clothing, but his butter and eggs and fruit. From the valley of the Red River to the valley of the Peace, towns and cities sprang up as distributing centres for all the farmer or rancher had, and for all he lacked, each with its quota of business or professional men, its regiment of real estate agents, and more slowly with its local repairing and manufacturing plants.

LAND AND RAILWAY POLICY

Unquestionably the rapid growth of the West was due in great part to the maintenance and extension of the policy of free land for the settler. No other country offered the land-hungry settler such a generous boon. The Dominion had abandoned the early plan of deriving a revenue from the sale of lands to assist in railroad building, and for years had given away its broad domain, the even sections to settlers, the odd to railroads. After 1896 no more land grants were given to railroads; cash subsidies or bond guarantees took their place. The odd sections, however, were not thrown open to settlement for a dozen years. By 1906 it was estimated that some thirty-two million acres had been given to railroad companies, and that almost exactly the same area had been homesteaded or bought by cash or scrip. Both railroads and settlers had chosen their lands chiefly in the broad horse-shoe belt that lay between the wooded north and the semi-arid south. Experience proved the worth of both the regions previously passed by, and the tide of settlement swept on in broader course. In 1907 a new Land Bill was introduced,

opening the still unclaimed odd sections to homesteaders, and reviving the discarded practice of pre-emption, entitling any homesteader who had not received a pre-emption to claim an additional quarter section by paying three dollars an acre and fulfilling the additional three years settlement duties. It was argued that this policy would make it possible to finance the construction of the Hudson Bay Railway without throwing any burden on the general treasury, and that it was desirable in itself, since the conditions of farming in the unsettled areas made a larger farm unit than a single quarter section imperative. Strong opposition was offered to the pre-emption proposal, on the ground that it would mean the alienation of nearly all the immediately available land without substantially increasing settlement. A year later a compromise was reached; pre-emptions and purchased homesteads were restricted to the area between Moose Jaw, Battleford and Calgary, where dry farming and summer fallowing clearly required a larger farm unit than one hundred and sixty acres, and all the remaining area was reserved for the quarter section homesteader. In the following year, the size of homesteads in the British Columbia railway belt, where more intensive farming was to be expected, was reduced from one hundred and sixty to forty acres.

The rush for the lands of 'the last best west' more than met the expectations of the framers of this land policy. By 1906, it has been seen, the area granted in homesteads, pre-emptions and sales barely equalled the lavish grants to railways; five years later the former area had doubled while the latter had not been increased. In 1906 the entries for homesteads, some of course destined to be cancelled for non-fulfilment of conditions, covered an area equal to that of Massachusetts and Delaware combined; in 1908 a Wales was given away; in 1909 five Prince Edward Islands; while in 1910 and 1911, in homesteads, pre-emptions and veteran grants, Belgium, the Netherlands and two Montenegros were carved out of the wilderness. Not even the imperial vastness of the western plains and prairies could ensure long continuance of this magnificent generosity. By 1912 there was comparatively little land open for homesteading except in

the northern half of the prairie provinces. Of the 440,000,000 acres they contained, half was estimated to be available for cultivation. Of this total nearly 120,000,000 had been disposed of by that year, including 68,000,000 in homesteads, pre-emptions, sales and special grants, 32,000,000 to railways, 8,000,000 to the Hudson Bay Company and 8,000,000 as school endowment. Yet, while the end of the day of free land was fast approaching, the possibilities of western production were only beginning to be realized. The area in all grains in the same year was only 16,000,000 acres, and the 180,000,000-bushel wheat crop was harvested from some 9,000,000 acres, less than three times the road allowances in the surveyed area.

Although land grants were no longer given by the federal government, railroads continued to receive lavish state aid in the form of bond guarantees from the Dominion, as well as land grants or guarantees from the provinces directly interested. The success of the Canadian Pacific, and the prospect of exploiting new regions as vast as those it served, made it easy to secure capital. Each day of the twentieth century has seen on the average two miles of new road built. Between 1901 and 1912 the Canadian Pacific's gross earnings grew from thirty millions to one hundred and four, and the stock shot up from ninety to two hundred and eighty. Two new transcontinental lines were carried almost to completion, the one the outcome of a partnership between the Dominion government and Canada's oldest system, the Grand Trunk, designed to open up the untapped north, built at enormous first cost, but certain of low operating expenses; the Canadian Northern, expanding from small mid-west beginnings to continent-spanning greatness, built rapidly and cheaply with the intention of improving the construction as traffic warranted, a monument to the practical engineering capacity and the financial and legislative influence of its partners, Mackenzie and Mann. Branch lines were thrown out in all directions throughout the prairie west, through the fertile valleys of British Columbia, in Quebec and Ontario's new north and thriving south, and in undeveloped sections of the Maritime Provinces; hitherto the settler had preceded

the railroad, but now the railroad oftentimes pioneered settlement. The consolidation of the smaller lines in one or other of the three great dominating systems went on apace. Ocean fleets, hotels at strategic points, town-sites, irrigation schemes, ready-made farms, employed the railroader's surplus energy, and contributed notably to the country's development. And while it was chiefly the east and west traffic that was served, north and south connections were increasingly sought. United States railroads reached up for a share of Canadian traffic, the Great Northern interests securing a footing in the West, the New York Central in the East. But for every mile which United States railroads controlled in Canada, Canadian roads controlled six in the United States, seeking outlets and traffic on Puget Sound, in Chicago and the north-western states, in Boston and in Providence.

THE COMPROMISE WITH PROTECTION : FREE TRADERS IN OFFICE

The tariff and tariff relations with the United Kingdom, the United States and other countries have, with passing exceptions, bulked larger in Canadian discussion and legislative action than any other economic issue, whatever its real relative importance. For a time, it appeared that the tariff might be 'taken out of politics,' that is, that both parties would subscribe to the full protectionist platform, but the controversy soon flamed out afresh. The belief that free traders and protectionists alike have exaggerated the importance of tariff policy does not, however, relieve the narrator of things as they actually and unideally happened, from the necessity of recording the chief developments in the attitude of the state on this issue.

The liberal party in 1896 waged its campaign on the platform of freer trade with the world, drawn up in the Ottawa convention three years before, though other issues helped to determine the result of the election. Whatever private assurances were given to manufacturers, on the hustings and in the press protection was denounced in unmeasured terms as robbery and oppression and a blight on industry. After

the victory at the polls, some steps were taken to carry out the pledges of reform. The granting of the British preference meant a substantial reduction on many important articles of consumption. Relief was afforded by the reduction or abolition of the duties on Indian corn, binder-twine, barbed wire, pig-iron, flour and refined sugar. Classification was simplified and minor readjustments made in many schedules. A provision was enacted for lowering the duty on goods controlled by a combine. Yet with all this tinkering, the tariff remained substantially the National Policy tariff of the old régime. The reductions made were balanced by the maintenance and extension of the expiring bounty provisions. In 1897 the iron and steel bounties were renewed for five years, the bounty on pig-iron made from Canadian ores raised from two to three dollars a ton, and the same bonus was offered for the manufacture of puddled bars from pig-iron made in Canada and of steel ingots manufactured from ingredients of which at least half by weight consisted of Canadian-made pig; new ground was broken in the provision for paying two dollars a ton on pig-iron made in Canada from foreign ores. In 1899, three years before the previous act expired, and just when the promoters of the Dominion Steel Company were preparing their prospectus, a new law was passed assuring the continuance of the bounties, on a descending scale, until 1907.

The reasons for this failure to live up to the pledges of opposition days, and for the mounting tide of protectionist feeling which marked the next few years, are not far to seek. It was the stagnation of the late eighties and early nineties which had made men doubt the efficiency of protectionist panaceas; the prosperity that followed led the manufacturer to strain every nerve to retain control of the expanding western market, whose benefits he was beginning to realize, and restored the waning prestige of the doctrine with the general public. The Dingley Act continued to stir resentment easily directed into protectionist channels. Governments and oppositions are never as far apart in opportunist practice as they feign in the extremities of debate. Wider experience may have brought honest change of heart, or realization of the benefits of a well-filled campaign chest

silenced conscience. The very success of the nominally freer trade party meant that there was no longer an opposition vigilant against protectionist demands. Aside from the party, there was not in Canada any adequate agency of protest; the party press with a few notable exceptions, followed the administration; the consumers, scattered in residence and scattered in interest, could not compete in organization with the manufacturers, concentrated in residence and in interest.

It was therefore not surprising that in 1902 the manufacturers began a vigorous campaign for still higher protection, that it seemed to carry articulate public opinion with it, and that many leading liberals, including a member of the cabinet, J. Israel Tarte, gave vociferous support, until Sir Wilfrid Laurier was compelled to show him who was the real master of the administration. The agitation resulted in a scaling down of the British preference in 1904 and a promise by the minister of Finance in the same year to introduce a maximum and minimum tariff; it was distinctly understood by the Manufacturers' Association that the existing tariff would serve as the minimum, and that the maximum would involve a substantial increase. A Tariff Commission of three cabinet ministers travelled from end to end of the country in 1905-6 seeking light to aid in the coming revision, and found it in abundance. Manufacturers crowded every session urging the necessity of higher rates, but the surprise of the day came in the vigorous and effective opposition organized by the farmers of Ontario and the West. Thanks to this unexpected revolt, the new tariff of 1906-7, while making many revisions upward as well as downward, accepted the existing level as the maximum and offered reductions to countries disposed to grant reciprocal favours. The sequel came in 1910 in the renewed demand of the farmers, especially of the grain-growing West, for lower tariffs and wider markets, and in the reciprocity negotiations which followed.

Meantime the bounty system was being still further extended. In 1903 a bounty of six dollars a ton, terminated in 1910, was offered for the manufacture of rods made in Canada from steel produced in Canada from ingredients at

least half of which consisted of pig-iron made in Canada, conditionally on the rods being used in Canada for the manufacture of wire; patriotic protectionism could no further go. A bounty of a cent and a half a gallon on crude petroleum offset the reduction of duty on the refined product, and the imposition by the United States of an export duty on Manila fibre shipped from the Philippines to any country but itself, was met by an equivalent Canadian bounty on the amount used in making binder-twine and cordage. In 1907 the iron and steel bounties were once more extended, with special bonuses to encourage smelting by electricity. In the ten years ending in 1910 the bounties reached the total of eighteen million dollars, and were solemnly defended by the Hon. W. S. Fielding upon the ground that the additional duties paid by the people of Canada upon the imports into the districts favoured by the bounties were still greater. The bounties undoubtedly are largely to thank for the present extensive development of the iron and steel industry, though in several instances they were discounted by promoters in determining how much water the stock would stand, and went into their pockets rather than into the upbuilding of the industry.

Another interesting development was the invention in 1904 of a unique fiscal device, the anti-dumping duty. As amended in 1907, the measure applied to otherwise free as well as to dutiable goods, and provided that, if articles of a kind made in Canada were sold for export to Canada at a price less than the ordinary home market price, a special duty equal to the rebate given would be imposed. The duty was especially designed to cover iron and steel products, and successfully balked the practice of United States, British and German manufacturers in disposing of surplus goods cheaply abroad, though the very Canadian steel companies in whose interest it was imposed were not held back by any compunction from dumping in other countries at lower than home prices whenever opportunity offered. It was an ingenious attempt to prevent the demoralization caused by 'slaughter' sales, without setting up as a permanency the fifty or sixty per cent duties otherwise necessary to bar such imports.

A generation after the adoption of the National Policy, it is still an open question whether protection has helped or hindered Canadian development. So far as the economic bearings of the case go, the fact that one-sided free trade would compel the Canadian manufacturer to share his small market with the United States manufacturer, while he himself would be barred from the larger market and from the economies that go with the larger field and scale of production, must never be left out of reckoning. It may be, again, that many of the scores of United States corporations which have established branch factories in Canada would have attempted to supply the Dominion from the other side of the border, but for the tariff wall. Yet, as has previously been suggested, to say that a certain industry would not thrive in Canada under free trade is not necessarily to imply that it could thrive under protection. Many industries have succeeded, in protected as well as in non-protected lines, and are able to meet foreign competition in price and quality in the open markets of the world. But, where an industry has been protected for twenty or thirty years, and still demands thirty per cent protection, thirty points of advantage in a hundred, it must be either that it is an industry unfitted to the country's conditions, or that even the whole Canadian market is not large enough to permit economical development, or that the cost of production has been raised by the high cost of protected materials or of labour, or else that the tariff is wanted to guarantee extortionate profits. In any case, protection to such an industry must be rested on other than economic grounds. It may, indeed, be urged that it is worth some economic sacrifice to retain at home the boys who would otherwise have drifted to the cities south of the border. The drift, however, did not cease because of the adoption of protection; it was, on the contrary, only the recent expansion in farming and mining and lumbering and the consequent growth in population that have brought success to most of our protected industries. To-day we are not so eager as we once were to provide alternatives to farming life, and there is room for a nice dispute between those who maintain that the protected home market has made farming pay, and those

who urge that except as regards milk or fruit or vegetables, the farmer sells at the world's prices and buys at protected prices, which cripple and hamper the primary industries, and amply account for the rural depletion of recent years. So far as the political bearings of protection go, it is to be set down to its credit that in former days it helped to create a common national spirit, and on the debit side that it now is creating a dangerous sectional divergence, only to be ended by doing away with protection or by making the West as well an industrial district. As to the effect on political life, few would question that it has been a source of corruption and of sordid standards of public service, though it might be replied that our railroad bonuses and our public contracts would have bred the grafter had the tariff never existed. But protection is here, and whether or not discrimination is introduced by substituting the impartial investigation of a tariff commission for the biased demand of the interested manufacturer, it is likely to stay—so long as it stays in the United States, whence it came.

IMPERIAL PREFERENCE: FIELDING AND CHAMBERLAIN

For the first time in many decades trade relations with the United Kingdom and the other sections of the British Empire now took foremost place in discussion and in action. The introduction of the first Fielding tariff in April 1897, establishing preferential tariff treatment of Great Britain and other countries offering reciprocal terms, marked the beginning of an era important in the fiscal history not only of Canada, but of all the other self-governing states of the Empire. Years of talk about mutual imperial preference had seemingly ended in talk, when the new administration, by deciding to grant a preference to the United Kingdom, unconditionally, and without waiting for its adoption of a protective and preferential policy, gave an effective lead.

The decision of the Laurier government to take this momentous step, foreshadowed in the resolution moved by Louis H. Davies (afterwards Sir Louis) when in opposition, in 1892, had various grounds. In the main it was an imple-

menting of campaign promises of freer trade, a reduction of the tariff made primarily in the interest of the Canadian consumer. The desire to offer a practical testimony to the special bonds which united the different states of the Empire, and especially the filial affection felt for the motherland, played its part. The McKinley and Dingley tariffs, emphasizing in unmistakable terms the indifference of the United States towards Canadian advances, united Canadian sentiment in turning elsewhere. And those who desired to see the establishment of reciprocal imperial preference might well contend that the surest way to bring it about was not to demand it, not to haggle for evenly balanced favours, but to grant unconditional preference and trust to gratitude effecting more than importunity. Time proved the correctness of this position: the existence of the Canadian preference forced the abrogation of the Belgian and German treaties, and gave the British advocates of tariff reform a basis for agitation. In so far as Canada was concerned, the British preference meant a step toward free trade, and the Cobden Club was justified in presenting its medal of honour to Sir Wilfrid Laurier; but in its effect upon the British situation, it made for the return of protection tempered by preference, rather than for the strengthening of free trade.

At the outset the reduction took the form of a reciprocal tariff rather than of an exclusively British preferential tariff. A horizontal reduction of twelve and a half per cent in all customs duties except those levied on alcoholic liquors and tobacco, to be increased a year later to twenty-five per cent, was granted on goods produced by and imported direct from countries which on the whole gave Canada equally favourable tariff treatment. It was the expectation of the Canadian government that the reduction would apply only to the United Kingdom and a few of the low-tariff colonies, and that the omission of specific reference to Great Britain would prevent the Belgian and German treaties from coming into operation to extend the same terms to these and other countries. The position was untenable. As the offer ran, it was possible in two ways that the reduced terms would be generalized. The existence of special terms to the United

Kingdom, whether or not it was specifically named in the statute, would on any reasonable interpretation entitle Belgium and Germany to the equal terms the treaties pledged, and so the law-officers of the crown, to whom the matter was referred, gave their opinion. Forthwith the reduced terms were granted to these states, and, by the automatic operation of other treaties entitling most-favoured nations to treatment as favourable as that granted any other foreign country, were extended to France, Spain, Austria-Hungary and other nations. Even had these Belgian and German treaties not existed, it was possible that some low-tariff foreign country like Holland would qualify under the test of equally favourable terms, and thus again provide a starting point for the operation of the most-favoured-nation treaties.

The first hindrance in the path of an exclusive British preference was removed by the decision of the government of the United Kingdom in July 1897 to denounce the treaties with Belgium and the Zollverein, the denunciation to take effect one year later. The year 1897, the year of the sixtieth anniversary of Queen Victoria's accession, and the year of the third colonial conference, saw imperial sentiment rise to new heights. The unconditional Canadian offer overcame the long hesitancy of British statesmen, none of whom were yet prepared to discuss reciprocal preference; even Joseph Chamberlain, who was turning in this direction, still halted at the stage of absolute free trade within the Empire as a necessary preliminary to the establishment of a tariff wall around the Empire. Sir Wilfrid Laurier, the most striking figure of the conference and the Jubilee festivals, carefully avoided the least semblance of a demand for preference in return, and thus succeeded in disarming free trade prejudice. The abrogation of the treaties left the commercial relations between the United Kingdom and Belgium and Germany in an unstable position; a new treaty was later negotiated with Belgium, but the enjoyment of most-favoured-nation treatment in Germany has since rested only on an annual resolution of the Bundesrat; it was, however, primarily against Canada, as will be seen later, that German resentment was directed.

The British government had done its part, and it remained for the Canadian government to take the further step required to confine the lower terms to the Empire. This step was taken in August 1898, when the reciprocal tariff was repealed and replaced by a specifically British preferential tariff, on the goods of the United Kingdom, Bermuda, the British West Indies and British Guiana, and any other colony or possession which offered Canada equally favourable treatment. At the same time it was provided, to prevent the importation of foreign goods through Britain, that at least twenty-five per cent of the completed cost of manufactured articles imported must represent British labour in order to entitle the application of the preferential terms. In July 1900 the preference was increased from one-fourth to one-third. Four years later, in response to loud complaints from Canadian manufacturers who felt keenly the pressure of British competition, the minimum tariff on woollens, especially cloths, tweeds and wearing apparel, was raised from twenty-three and a half to thirty per cent, and on twine and cordage from sixteen and two-thirds to twenty, while slight reductions were made on china and window glass. In 1906-7 the uniform horizontal reduction of one-third was replaced by a preference varying with each article, somewhat reducing the amount of the preference in the majority of cases; the range of advantage varied from two and one-half to fifteen per cent *ad valorem*. In 1907 the administration was given power to determine by order-in-council a date after which the preference would be given only on goods imported through a Canadian port; it was understood that this restriction would not be imposed until the completion of the Grand Trunk Pacific had provided facilities for handling the expected increase of imports entering through Halifax and St John.

Meanwhile, the question of reciprocal British preference was assuming new importance. It became a practical issue in the United Kingdom in 1903, when Joseph Chamberlain, then colonial secretary, launched his vigorous campaign for the reversal of Britain's traditional free trade policy. Tariff Reform, as the new agitation was named, had a threefold

object : protection, retaliation and imperial preference. The home manufacturer and the home farmer were to be protected by duties on manufactures and on foodstuffs, excluding maize and bacon, as being foods of the poor. This tariff, further, was to serve as a weapon to secure admission to foreign protectionist markets. And, finally, the Empire was to be consolidated and outlets for the products of its various parts assured by giving the colonies, subject to the greater favours accorded the British farmer, exclusive control of the market of the United Kingdom, and giving the British manufacturer, in the industries which the colonies had not yet developed, a monopoly of their market for manufactures.

The revival of protectionist sentiment in the United Kingdom had been foreseen for some years. It was an inevitable incident of the growth of rivals challenging its commercial supremacy. Relatively, the United Kingdom was losing her lead ; absolutely, her foreign trade had been for some years slow and fitful in its increase. The persistence of protection among other nations seemed to discredit the expectations of Cobden and Bright. Protection promised to cure the unemployment which lay at the root of so many urban social problems, and the rural decay which was threatening British life at its core. Free trade had become a traditional dogma, not a vital creed ; its very supremacy for forty years had bred up a generation unaware of the principles on which the policy had been based, and ready to listen to the first plausible attack. The revival of imperialist sentiment, with its mingling of high and low motives, the loss of the old confidence in Britain's own unaided strength, the desire for a protected preserve for her manufacturers, led many to believe that power and plenty alike would be served by a close union of the Empire by commercial bonds. The era of cold neglect of the mere colonial gave place to the era of gushing flattery for 'our sister dominions.' Increasing demands on the treasury for war and war armaments and social reform made it necessary to find enlarged sources of revenue, and this revenue must come from taxes on the articles consumed by the masses, if it was not to come by further taxes on the incomes and inheritances of the classes. Party

exigencies made it desirable to distract attention from the bungling methods of the conduct of the war in South Africa. The time had come, and with it the man, the ablest and hardest-hitting of campaigners, and the one man who of late years had aroused enthusiasm in colonial quarters.

The agitation thus aggressively begun had far-reaching results in the fate of cabinets, the alignment of parties, the bed-rock discussion of the condition of England question. Its own success or failure was long undecided. For a time it bid fair to sweep Britain; the Unionist party, with few stragglers, the metropolitan press, colonial sympathizers, gave powerful advocacy. Then reaction came. Inquiry showed that the United Kingdom was not so helpless in the commercial struggle as had been charged, and each new year falsified dismal prophecies with its record of rapidly expanding trade. Challenge gave the principles of free trade new life. Recognition of the inability or reluctance of the colonies to offer any great opportunity for expansion, of the dependence of British foreign trade on cheap food and raw materials, of the peculiar position in which Britain was situated for a campaign of retaliation, grew stronger. New issues of taxation, of the power of the Lords, of social reform, distracted attention. The powerful leader of the movement was struck down by crippling illness, and of the new leaders that came upon the stage, the ablest were in the free trade ranks. And thus the policy of mutual preference halted, though at any time the swing of the pendulum might bring back to power a party more or less pledged to protection.

In Canada the attitude was equally diverse. The popular interest in Chamberlain, who was thought by many to be the first British statesman of broad and sympathetic imperial vision, secured at first a favourable hearing for his plans. Imperialists who assumed that trade was the only cement that could bind the Empire, protectionists who wished to see protection in Canada buttressed by its adoption in the sole great free trade nation, gave strong support; imperialists who feared tariff bargaining would make for friction rather than for harmony, nationalists who disliked any exclusive bonds, free traders who saw their model crumbling, all

opposed. Manufacturers were sympathetic in general terms, some on imperial grounds, others for economic reasons; the Canadian Manufacturers' Association repeatedly and strongly expressed its hope that Chamberlain's cause would triumph. There was, however, a notable reservation made which cut the ground from underneath the British Tariff Reform campaign on its preferential side; not only must no reduction be given which would expose existing Canadian manufacturers to loss of trade, but the association declined to give the pledge Chamberlain had invited in his Glasgow speech and had later tried to qualify, to leave to Britain the market for those goods which Canada did not as yet attempt to supply; what they had they would hold, and what they could reach they would have.¹ A reduction in the Canadian tariff on British goods at the expense of the foreign manufacturer would be gladly given, and a preference which would take the form of higher duties against the foreigner would be welcomed with enthusiasm, but the area of the field which Britain did not already possess, in which she could compete, or which Canadian manufacturers did not desire to occupy, was a narrow one indeed.

The farmer was largely inarticulate; he could not doubt the benefit of a protected British market, provided the British farmer did not take a leaf out of the Canadian manufacturers' book, and provided bargaining with foreign nations did not whittle down his preference, but his organs and organizations for the most part gave faint support or hearty opposition. Among the general public, sympathies were in the long run largely divided on party lines, Canadian conservatives siding with British conservatives, liberals with liberals: something of real harmony of policy on imperial and tariff issues, more of traditional divisions existing in the days when political privilege was a reality and democratic control of government

¹ R. S. Gourlay, President, Canadian Manufacturers' Association, at annual meeting, 1912: 'During our conferences with the British manufacturers they asked us if we would favour an increase in the British preference on articles not made in Canada. Our reply was that . . . we were not in sympathy with any such increase. . . . We were not prepared to admit that there was any article that could not at some point in Canada, and in time, be successfully manufactured.'—*Industrial Canada*, October 1912, p. 334.

a goal unattained, much of the unconscious reflex influence of the labels worn, brought on this and other issues an alliance often misleading and unfortunate in its results.

The colonial conferences registered and voiced the attitude of the governments of the dominions. In 1894 the assembled delegates had urged inter-colonial reciprocity and, with three dissentients, inter-imperial preference. In 1897 they advocated following Canada's example of unconditional preference. In 1902, meeting when the tax Britain had imposed on wheat to finance the Boer War was still in force, they reiterated their advocacy of unconditional preferences, declared free trade within the Empire impracticable, endorsed the general principle of imperial preferential trade, and urged the expediency of the United Kingdom granting preferential treatment on colonial natural and manufactured products, either by exemption from or reduction of duties then or thereafter imposed. Chamberlain, still colonial secretary, complained that the Canadian preference had proved disappointing; the Canadian representatives denied the soundness of this judgment, but offered to increase the preference, by further reduction of duties, by increase of duties on foreign goods, and by imposing duties on certain foreign imports then on the free list, conditionally on receiving a preference in return. In 1907 came the climax of the discussion of preference: Alfred Deakin and Dr Jameson eloquently and powerfully attacked free trade, while the new occupants of the British Treasury bench, Herbert Henry Asquith, Winston Churchill and David Lloyd-George, vigorously set forth the opposing faith; Sir Wilfrid Laurier, with the corn-tax gone and the Canadian manufacturers' hostility to the preference on woollens fresh in mind, took little part. The resolutions of 1902 were reaffirmed, with the United Kingdom dissenting; a fresh expression of demand for British action, based on the precedent set by preferences granted through the South African Customs Union, in which the United Kingdom participated as guardian of protectorates, found the support of a majority, and a British resolution in favour of fiscal liberty of action to each part of the Empire carried unanimously. In 1911, with Deakin and Jameson gone, and new

issues, domestic and imperial, to distract men's minds, imperial preference was passed by, and resolutions in favour of a royal commission to take stock of the Empire's resources and report on methods for development, consistent with existing fiscal policy, and in favour of securing for the dominions liberty to withdraw from most-favoured-nation treaties, took its place.

The tariff controversy obscured the real progress that was being made in other ways in encouraging inter-imperial trade. The reduction of postal and cable rates, at Canada's instance, was of great service. Increased steamship facilities and the improvement of the St Lawrence route counted in the same direction. The organization in 1908 of an able Trade Commissioner service in Canada, under the control of the Board of Trade of the United Kingdom, did much to keep the British merchant in touch with market needs. Still more fundamentally helpful were the many personal visits of inspection made by leaders of British industry in the later years.

The Canadian offers of tariff preference naturally met with quicker response in protectionist Greater Britain than in free trade Great Britain. Beside the West Indian group first included, India, Ceylon, the Straits Settlements and New South Wales were given the preferential terms of the Canadian tariff in 1898. New Zealand in 1903 granted a preference on a limited list of imports, by raising the duties on foreign goods; Canada qualified for the lower terms by granting New Zealand corresponding favours. In the same year the South African Customs Union established a British preference averaging three per cent, to which Canada was admitted in 1904. With Australia, the most important section of the Empire not already included, negotiation was more difficult. Protectionist feeling in the Commonwealth triumphed over preference, and in 1905 some friction was caused by higher duties in the interest of Australian manufacturers of agricultural implements. Lack of any continuous interest co-operated to postpone results; on the coming of the Borden administration to power negotiations were resumed, and the Hon. George E. Foster was appointed commissioner.

Meantime the relations with the West Indies were being drawn closer. The islands had never fully recovered from the blow given to sugar-cane growing by the bounty-favoured competition of the sugar-beet. The abolition of bounties under the Brussels Convention, at the instance of Great Britain, did much to revive their trade, and the Canadian preference resulted in the transfer of the great bulk of Canadian demand from Europe to the West Indies. Yet the planters complained that the Canadian refiners cut the price they paid by nearly the full amount of the duty—a charge retorted by the refiners—and complained more loudly when in 1909 the Hon. W. S. Fielding permitted Canadian refiners to import one-fifth of their consumption from foreign countries at preferential rates; the preference given Cuba by the United States shut out another market. In 1909 a royal commission, with British, Canadian and West Indian members, was appointed to investigate ways and means of promoting closer trade relations between Canada and the West Indies. It reported a year later, emphasizing the benefit of the preference on sugar to the planters, who were declared to have received one-third to one-half the difference in duties, and recommended an extension of the Canadian preference and reciprocal concessions by the different islands, along with betterment of steamship and cable facilities and greater energy on the part of Canadian exporters. The investigation made evident much hesitancy, especially in Jamaica and Trinidad, to concede Canada special favours, lest this provoke retaliation from the United States.

In April 1912 representatives of Trinidad, Barbados, British Guiana, St Lucia, St Vincent, Antigua, St Kitts, Dominica and Montserrat, came to Ottawa and negotiated an agreement somewhat wider in its terms than that recommended by the commission. Under the agreement, which was to last for ten years and a year after notice, Canada was to grant a twenty per cent preference on sugar and molasses, fresh fruits and vegetables, coffee, rice, rubber, timber, arrowroot, tapioca and vanilla, asphalt, petroleum and other imports from the colonies in question, to impose a new duty on foreign cocoa beans, limes and lime-juice, while continuing

to admit these products free from the colonies included, and to repeal the twenty per cent foreign sugar concession to the refiners. In return she was to receive the same rate of preference on fish, meats, flour, dairy produce, live stock, coal, agricultural implements, machinery, lumber, furniture, pianos, starch, paper, rubber goods and other items. Canada was to grant the same concession for three years to Newfoundland, Bermuda, British Honduras, Grenada and Jamaica, to give them an opportunity to subscribe to the agreement. The measure, made subject to the approval of the legislatures of the various contracting parties, was ratified by Canada at the next session of Parliament, with the proviso that only goods shipped to a Canadian port would receive preferential rates.

UNITED STATES RELATIONS : THE ERA OF NEIGHBOURLINESS

Of foreign countries the United States still bulked largest on the Canadian horizon, but a marked change had come about in the official relations of the two nations. The era of petty squabbling gave way to an era of frank and neighbourly discussion of common issues. Further, the pilgrimages from Ottawa to Washington ceased and the pilgrimages from Washington to Ottawa began ; the United States became more eager for closer commercial relations, and Canada more indifferent. The causes of these two broad tendencies, themselves not unconnected, may be briefly summarized.

There were many forces leading the United States to change its code of national manners. After the Spanish-American War, which merely brought a growing tendency to a head, the United States awoke to the realization of two hard facts : that in acquiring the Philippines and Porto Rico, or being acquired by them, she had given hostages to fortune, and that in the stress of conflict the one sure friend had been Great Britain. Undoubtedly this realization did much to bring about a more friendly and more responsible tone in American diplomacy, though some survivals of the days of spread-eagled isolation still remained audible. The growth of plutocratic power, the sudden realization that all the ills

of feudal Europe had taken root in American soil, the growing conviction that America was no longer the land of opportunity, the cumulative distrust of the once vaunted constitution, did much to concentrate attention on domestic evils, to lessen the feeling of superiority over other lands, and to awaken friendly interest in countries facing the same problems. Canada's resources were better realized, and her friendship found more worth the cultivating. And no one who estimates rightly the power of the press will underrate the incidental influence of the Canadian immigration campaign in the United States, the hospitality afforded to editorial associations, the advertising placed in thousands of newspapers, and the desire for cheaper pulp and paper. In Canada, meantime, an equally notable improvement had developed. Prosperity was mending the manners of Canada as effectually as adversity was tempering the tone of the United States. Memory of injuries, sensitiveness to slights, vary inversely with the size and prosperity of the nations concerned: Canada's development now kept her too busy to rake up old sores, and too successful to worry about a few quintals of fish or the duty on peach baskets. She, too, came to develop an international sense, and to realize, except in some quarters where the battle of Lundy's Lane was still being fought, the importance of Anglo-American friendship for the peace of the world.

The United States grew more favourable to proposals for freer trade. Many American manufacturers had reached the export stage where foreign markets, cheap food and cheap raw materials were more necessary than a protected home market. Man for man, no market in the world was so profitable to United States producers as Canada's, and only to Britain and to Germany did they send a larger total. They, and more disinterested advocates of conservation, realized that the free land of the republic was gone, that its agricultural production would not increase on the old lines of extensive cultivation, and that the timber resources were, if not exhausted, nearly monopolized, while across the border vast undeveloped farm and mine and forest areas beckoned. Meantime, protection had ceased to grip the popular mind

as of old. In the revolt against corruption and privilege which swept over the country and converted a millionaire-worshipping to a millionaire-suspecting people, the tariff, as one of the chief instruments of exploitation, suffered beyond the hope of rehabilitation. The consumer blamed the tariff on foodstuffs for the rise in the cost of living, unjustly in the main, though there may have been poetic justice in the tariff which once was credited with all the prosperity of the nation now being damned for sins not its own. And the consumer was now a power in the land, what with the growing urban dominance, and what with the change from the days when the producer meant the small individual worker, who was at the same time the ultimate consumer, to the days when the producer meant some vast corporation, pilloried by newspaper cartoonists as a Stone Age giant or an ogre in dollar-checked garments, with interests diverse, or popularly reputed diverse, from those of the ultimate consumer aforesaid; thus, the United States being a democracy, the centre of political gravity shifted slowly from producers' interests and producers' tariffs to consumers' interests and consumers' tariffs. These forces were by no means unopposed. Against them were arrayed the hard-dying doctrines of protectionist orthodoxy, the politicians who had always found protection their chief stock-in-trade, the manufacturers who still found in the United States the best preserve they could hope for, and the farmers who stoutly resisted the attempt to do away with the tariff on foodstuffs, now that, with the United States on the way to becoming an importing nation, it might at last prove of some real value to them.

In Canada opposition or indifference to closer trade relations was undoubtedly growing. Resentment of a half-century's rebuffs lingered. Other foreign markets at last were opened and developed to real importance. The actual growth of the exports to free trade Britain, and the prophesied greater growth to a protectionist and preference-granting Britain, diverted attention. More important still, Canada had discovered herself, had come to a new confidence in her unaided strength, and to a new determination to build up, at whatever cost, a strong and united nation in the

northern half of the continent. From despondency and pessimism the pendulum had swung to the other extreme of optimism and self-assertion. Prosperity produced in Canada, as earlier in the United States, a feeling of self-sufficiency. The movement for the conservation of natural resources created a more or less logical sentiment against the export of natural products. Protectionist sentiment widely prevailed; eastern manufacturers were thriving, organized and powerful; the general public took much the same attitude as that which prevailed in the United States a generation earlier; the country was in that early stage of exploitation where a capitalist is a personage to be prayed for and respectfully heeded, rather than suspected and denounced. The growing weight of the city told against closer relations in Canada, where closer relations were read to mean freer admission of such goods as the home city produced, just as it told for closer relations in the United States, where closer relations were read to mean freer admission of such goods as the home city consumed. These forces were not in sole possession of the field. The unexpected vitality of free trade principles in Britain and the progress of the lower tariff sentiment in the United States were reflected in Canadian opinion. The demand of the prairie West for open markets both for what was bought and what was sold became more insistent and better organized. Rural depopulation in the East gave a text for anti-tariff agitation. Yet, on the whole, the drift was against any change in the commercial relations between Canada and her neighbour.

FISHERIES, POWER AND TRANSPORTATION SOLUTIONS

In the treatment of the specific issues which pressed for settlement, old and new, the spirit of amity found practical manifestation, especially in the later years. Even the dissatisfaction in Canada with the personnel of the commission chosen to determine the Alaska boundary dispute, and with the decision reached by the majority of the members, failed to create a revival of the old attitude toward the United States, since Lord Alverstone served as lightning-rod. The

features of the period were the extent to which negotiations were carried on informally and directly, the assiduous zeal of James Bryce, the first British ambassador at Washington to visit Canada during his term of office, and the free employment of international joint boards to regulate common matters.

The fisheries continued to occupy the diplomat. On the Atlantic the long-standing question as to the meaning and implications of the convention of 1818 were determined, mainly in favour of the British contention, by a verdict of the Hague Tribunal in 1910. On the Pacific, alleged American poaching for halibut in Hecate Strait and the use of trap-nets by the Puget Sound canners to intercept the salmon which pass through the waters of both countries on their way to spawn in their native river, the Fraser, threatening extinction and giving the Washington canner a temporary advantage in the cheapness of his fish, caused frequent friction. In the Great Lakes, the depletion caused by American fish companies and poachers operating in Canadian waters compelled attention. A treaty was drawn up in 1908, to provide uniform and effective means for protecting and propagating food fishes in boundary waters, but the opposition of private United States interests prevented it being carried into full effect. The Pacific fur seal controversy was also settled in 1911 by an international agreement between Great Britain, the United States, Japan and Russia. Pelagic sealing was prohibited for fifteen years, but Canada was apportioned a share of the proceeds from the seals killed on land by the powers possessing rookeries, fifteen per cent of the United States and Russian, and ten per cent of the Japanese gross takings.

Meantime, the old problem of navigation rights, and the newer difficulty as to the diversion or obstruction of boundary waters for power development or sanitary purposes, were being grappled with. In 1905, in pursuance of a suggestion made by the United States three years earlier, a temporary International Waterways Commission began its sittings, and in January 1909 a Boundary Waters Treaty was negotiated, and ratified a year later, making provision for a permanent

tribunal. The International Joint Commission, consisting of three members from each country, was given power to control diversions or obstructions of international waters, on the principle that domestic and sanitary use, navigation needs, and power and irrigation requirements were to be considered in the order given. The most striking feature of the treaty was the provision that any matter at issue between the two countries, aside from boundary waters complications, might be referred to the Joint Commission for decision, with the consent of the United States Senate and the Dominion Cabinet—a notable advance alike in international arbitration and in the diplomatic status of the Canadian administration. The navigation on equal terms of all boundary waters, including Lake Michigan, was provided, and a division made of the power to be developed at Niagara, and on the Milk and St Mary's Rivers. A tentative endeavour to settle the question of international traffic rates in the same manner showed how different was the situation since the canal and bonding squabbles of the eighties. In 1910, on the initiative of the United States, Chairman Mabee of the Dominion Railway Commission, and Chairman Knapp, of the United States Inter-State Commerce Commission, met and drew up a report in favour of joint action to control international carriers; no immediate action was taken, however.

CANADA AND THE PAYNE-ALDRICH TARIFF

The central question of official trade relations did not again take concrete form for some years. The Joint High Commission never reconvened after its split on the Alaska boundary rock in 1899. The change of opinion in the United States as to the advantages of freer trade, which has been referred to, found expression in many resolutions of boards of trade, in discussions before national reciprocity conventions, and latterly in the platforms of Massachusetts state politicians; the headquarters of the agitation were in the urban centres of New England and the North-West, especially Boston, Detroit, Chicago and St Paul. It was not, however, until the Payne-Aldrich revision of the United States tariff

in 1909 that the issue was presented so broadly as to compel the serious attention of both countries concerned.

The striking feature of the new tariff of the United States from the international point of view was the adoption for the first time, if we except the limited retaliation provisions of the tariff of 1890, of the maximum and minimum principle. The expedient, as it finally took shape, followed the Norwegian model of minimum rates, intended to be the general and permanent duties, with a maximum schedule serving temporarily as a club to compel concessions. The maximum rates were to be higher than the minimum by a duty of twenty-five per cent, not of the minimum rates, but of the value of the commodity itself, and were to be levied on free as well as on dutiable goods. The president was directed to enforce these higher duties not later than April 1910, against all countries exercising undue discrimination against the United States. Armed with this redoubtable weapon, the State department immediately began to negotiate with all countries in which it did not already secure the lowest terms conceded to any other state. One by one the protectionist nations of the world, with the best grace possible, consented to grant the terms demanded. France and Germany were most obdurate, but at last accepted. Only Canada remained to deal with. It was tacitly admitted by the United States, and the admission was important, that the preference granted the United Kingdom and certain British colonies did not constitute 'undue discrimination.' It was urged, however, that the concessions made to France by the treaty ratified in 1910, and since extended to other countries, did give ground for the application of the maximum tariff, unless equivalent special concessions were granted the United States.

In Canada this demand seemed grossly unfair. That the United States, with a tariff already much higher than that of Canada, should threaten a prohibitive increase unless granted gratuitous favours, appeared to partake of the code of the highwayman; a sound criticism, it may be, but not to the point in the discussion of modern protectionist warfare, where ethics and etiquette have never been conspicuous.

More pertinent was the criticism that the demand was inconsistent with the century-old attitude of the United States in the interpretation of reciprocal favours. In Europe, especially since 1850, most-favoured-nation treaties were assumed to warrant each country receiving from the other all favours granted a third power, without any specific return at the moment, payment coming indirectly later as a by-product of treaties between other powers in the most-favoured-nation circle. The United States, on the contrary, from its first commercial treaty with France in 1778, took the stand that each specific bargain should show an even balance, that a most-favoured nation could claim the favours granted a third only by making the concessions which that third power had made. Applying this traditional principle, the United States could not ask that Canada should give her gratuitously favours which France had purchased by special concessions. But in adopting the maximum and minimum device the United States had unwittingly abandoned that traditional principle; instead of demanding equality between the concessions given by each of two other powers seeking the same favour, it now demanded equality between the treatment accorded itself and the treatment accorded any third power. The whole basis of United States commercial diplomacy had shifted. The demand made upon Canada was consistent with the new, if not with the old, basis.

Taking the initiative in the negotiations, the president, after sounding the British government as to the acceptability of the course, sent delegates to Ottawa early in March, to endeavour to secure the concessions necessary to avert the imposition of the maximum tariff. The Canadian government declined to grant the demand for reductions equivalent to those given to France, and the negotiations were suspended. The end of the last month available for agreement was approaching and both countries became alarmed at the prospect of a serious tariff war. Canada was fully aware of the business confusion and political bitterness such a contest would involve, and ready to do her share to avert it, but halted at making concessions which seemed unjustifiable. In the United States, business interests and general public

opinion were unanimously against such a logical or illogical outcome of the Senate's big-stick policy. On March 22 a democratic candidate for Congress in Massachusetts captured an overwhelmingly republican seat on a platform of reciprocity with Canada. The intervention of an amateur diplomat in the disguise of a Canadian newspaper editor solved the difficulty: President Taft resolved to resume negotiations for the settlement of the present problem, and at the same time to suggest a wider bargain. To the president the plan of a comprehensive settlement with Canada was not only in harmony with the changed convictions of the nation on the subject and his own ideas of international peace, but it opportunely presented a means of conciliating the lower tariff sentiment which he had estranged by his qualified defence of the Payne-Aldrich revision. A conference was arranged at Albany between President Taft and the Hon. W. S. Fielding, and later the details were discussed in a meeting at Washington. An agreement was reached, and on March 30, the last day of grace but one, a proclamation was issued giving Canada the minimum rates of the United States tariff.

Each country had receded to some extent from its original position. Canada agreed to give the United States the rates of its intermediate tariff on a few articles, aggregating in value about three per cent of the imports of Canada from the republic—china and porcelain table ware, window glass, photographs, watch movements, certain leather schedules, feathers, nuts, prunes and unenumerated goods, of which the chief were cotton-seed oil and sausage casings. The United States, in its turn, abandoned the demand for concessions equal to those given to France. The reductions were of minor importance in themselves—although tanners saw the influence of the beef trust in the leather concessions—but they sufficed to avert a tariff war otherwise inevitable by giving the president a reasonable ground for declaring that no undue discrimination existed. Meantime the Canadian government hastened to safeguard its own position by simultaneously granting the same reductions to all other countries as well as to the United States. The upshot of the matter

was, therefore, that, while Canada had gone through the form of giving special concessions to her neighbour, as a matter of fact the United States remained in every schedule subject to the general tariff of the Dominion, and enjoyed neither the same special concessions as France nor any other special concessions. In no other dual-tariff country with which the United States had negotiated was this the case. It was a fitting ending to the episode, a phantom concession to heal a phantom grievance. The success was due, of course, not merely to Canadian diplomatic skill, but to the good sense and friendly sentiment of the people and president of the United States.

THE REVIVAL AND DEFEAT OF RECIPROCITY

In a message to the Canadian people, issued through Dr J. A. Macdonald in the course of the maximum tariff negotiations, President Taft declared :

It is my deliberate purpose to promote in such ways as are open to me better trade relations between the United States and Canada than at present exist. I am profoundly convinced that these two countries, touching each other for more than three thousand miles, have common interests in trade and require special arrangements in legislation and administration, which are not involved in the relations of the United States with countries beyond the seas.

In accordance with this policy negotiations were resumed at Ottawa in November, and concluded in Washington, in January 1911, by the drawing up of draft proposals of reciprocal trade. The United States had made an offer of complete free trade, but this Canada had declined ; the agreement reached followed in its main lines the 1854 treaty, putting on the free list grain, fruits, vegetables, dairy and most agricultural products, live stock, fish and fish-oils, hewn timber and sawn boards, crude gypsum, mica, feldspar, asbestos, talc and salt. The chief variations from the earlier agreement were that meats, flour, coal and various timber products were accorded reduced duties instead of being admitted

entirely free, and that a limited number of manufactured articles were included: barbed fencing-wire, typesetting machines, brass bars, rods and plates, wire rods, galvanized iron and steel plates, coke and a few other articles, free; agricultural machinery, printing-ink, plumbing supplies, clocks and watches and automobiles, admitted at reduced rates into both countries; Canadian aluminium, laths, shingles, sawn and planed lumber, iron ore, and coal slack, at reduced rates into the United States; and United States cement, condensed milk, canned fruit, fruit trees, unsweetened biscuits, peanuts and coal at reduced rates into Canada. Wood pulp and newsprint paper valued at not more than four cents a pound were included in the free list, with the proviso that only paper and pulp made from pulpwood on which no restriction in the form of prohibition or taxation of exports existed should be admitted free into the United States, and that no United States pulp or paper should enter Canada free until pulp and paper from all parts of Canada were admitted free into the United States. All reductions which Canada gave the United States were, by treaty, to be extended to the most-favoured nations, and, by policy, to all parts of the British Empire.

The administrations of the two countries had reached agreement. There remained the more difficult problem of securing the consent of the respective legislatures. Traditionally this had proved a more thorny task in the case of Congress than of parliament, but on this occasion the rôles were reversed. In Congress President Taft was met with the violent opposition of a majority of his own party, some reflecting the almost unanimous hostility of the farmers of the United States, and of the lumber, paper and fisheries interests, others, of the progressive faction, seeking to discredit their nominal chief for political purposes. He secured support among the thick-and-thin administration republicans, and among the democrats, who found the policy in harmony with their own programme of tariff reduction, and incidentally useful in furthering a split in the ranks of their opponents. The bill to carry out the agreement passed the House of Representatives in February, but determined opposition by a minority

in the Senate prevented action before adjournment on March 4. President Taft, now committed to the success of the one distinctive measure of his administration, at once summoned a special session of Congress; the force of argument, party expediency, and the temperature of Washington in mid-summer finally melted the Senate's obduracy, and the bill was passed on July 22, to go into effect when a corresponding measure had passed the Canadian parliament. Meantime the agreement had been laid before the House at Ottawa in January. It was accepted by the government ranks, with hesitation in some quarters, but in the end with the implicit obedience bred of our party system. The attitude of the opposition was at first uncertain, but, as the hostile campaign developed outside the walls of parliament, it became emphatically antagonistic. Parliament adjourned in June to permit the premier to attend the Imperial Conference in London; on his return it was reconvened, but in a house without a closure it was impossible to force a vote, and parliament was dissolved a week after Congress had taken final action, with new elections set for September 21.

After cabinets and parliaments came the electorate. The incidents of the campaign, the consistency of politicians, the party fortunes involved, are outside the limits of the present record. The considerations pressed home in defence of the agreement or in attack upon it are more germane, but it is as yet too early to attempt to divine what the impartial judgment of history will be upon the contest; one can only record a provisional summary of the argument, throwing as it does light on the condition of Canadian industry and the forces at work.

The economic aspect of the agreement gave wide opportunity for honest difference, whether considered from the standpoint of the producer, the consumer, or the general public. The opponents of the bargain urged that under it the Canadian farmer would gain no new markets of importance, since the United States was a competitive, not a complementary market, exporting many times more agricultural produce than Canada; that he would, on the other hand, be exposed in his own market to the competition not only of

United States farmers, especially producers of early fruit and vegetables, eggs and dairy products, but of the British colonies and most-favoured nations ; and that he would lose the opportunity of the protected British market, since imperial preference was incompatible with continental reciprocity. Its defenders dwelt upon the fact that the United States was fast ceasing to be an exporter of agricultural products, and in such instances as hard wheat had already reached the importing stage ; they endeavoured to secure the revision of the most-favoured-nation treaties, and either denied that imperial preference was incompatible or declared that its coming was in any case most unlikely. There is no question that there was not the difference between the rates of increase of demand of the two nations which had existed in the earlier days of reciprocity discussion. Similar forces had evened up market prices in a striking degree. Yet a consideration of prices ruling in parallel markets for grain, live stock, dairy products and root crops, fish and lumber and the mineral products concerned, shows that normally there was still a balance against the Canadian producer, except in mixed-farming products in the West ; the North-West farmers, the strongest supporters of the agreement, would have gained in the higher prices both for the high grades of wheat required for blending and for the grades below European export quality, as well as in barley and flax and in cattle shipments. The Nova Scotia coal-owners argued with much force that local smoke ordinances, community of interests between United States railways and coal-mine owners, and the expense of erecting terminals without any guarantee of permanence in the fiscal arrangements, would deprive the Eastern United States market of much of its seeming promise ; on the Pacific coast, however, the Canadian coal-mines had it all their own way. For the rest, the economic advantages of the agreement would have been, not of the obvious character of trade bargains between tropical and temperate peoples, but the gains of intra-provincial and intra-state trade, of country and city trade, the gains of greater specialization, complementary seasons, the cancelling of cross-hauls and the utilization of nearer resources ; in brief, it would at worst have

meant simply the expansion of that most cherished ideal of the protectionist, the home market. The argument as to competition from the foreign nations and British colonies concerned had force, and it is not likely that in any appreciable time denunciation of the most-favoured-nation treaties could have been secured, even if, as was doubtful, they were proved on a long view detrimental. Whether or not the agreement would have proved a barrier to imperial preference, in the event of Tariff Reform victory in Britain, depended upon the particular conception of imperial preference adopted, whether it was contemplated that it was to be exclusive, neither Britain nor Canada negotiating with any foreign power, or whether each state of the Empire, Canada as well as the United Kingdom, was to be at liberty to reciprocate or retaliate as its interests led.

The manufacturer was not directly involved to any noteworthy degree, except so far as millers, packers, canners and brewers might have had to pay higher prices for their raw materials. The 'thin end of the wedge' argument, however, was urged with force; it was held, assuming that the flow of farm products would be chiefly northward, that the tacit agreement between the manufacturer and farmer would be broken, and that the farmer, deprived of protection on what he sold, would demand that the duty be taken off the products which he bought; further, assuming now that the flow would be southward, the United States would threaten to deprive the Canadian farmer of this outlet unless he used his power to open Canadian markets to their manufacturers in return. The advocates of reciprocity countered by declaring that rejection of the legitimate demand of the farmers for wider markets was more likely than anything else to create an uprising against the tariff on manufactures. The industrial interests and their financial allies, however, may be presumed to have known their business best, and in overwhelming majority they decided against the pact and against the truce with the government which had lasted for sixteen years.

The consumer received his meed of attention. The anti-reciprocity forces assured him that if the increased export

of farm products prophesied by their opponents really took place, a further increase in the cost of living was inevitable. On the other hand it was urged that, while the prices of raw products would be increased to the producer, there would be no increase, there would even be a decrease, in the prices of the finished products used by the consumer, thanks to the reduction of the tariff on these finished commodities; the manufacturer's or middleman's profit would be cut into from both sides. But the argument was a subtle and difficult one to handle, and both opponents and advocates found much difficulty in preserving consistency and effectiveness in addressing city and country audiences.

Conservation, now become as blessed a word as Mesopotamia, played its part. The export of natural products, once clamoured for as the most desirable outcome of reciprocity, was now attacked as its most injurious aspect. The agreement was denounced as a plan of United States interests to preserve their own dwindling natural resources at the expense of Canada's. Forest and farm, fisheries and mine would alike be depleted; pulpwood and iron ore would be shipped out and paper and manufactured iron shipped back; wheat-mining would be encouraged, and mixed farming in the West postponed another generation. The defenders of freer trade pointed out that precisely the same charge might be brought against the imperial preference proposals of Chamberlain, which offered a preference mainly on natural products, and explicitly looked to the stereotyping of Canada's relatively undeveloped industrial position. The agreement provided increased facilities for the export of live stock as well as of foodstuffs. From the standpoint of conservation, though not of protection, it made little difference whether spruce trees, cut down to feed the hungry maw of the New York press, were ground into pulp and pressed into paper on the north or on the south side of the line. In any event the United States could of its own motion lower its tariff bars, and, short of an export duty on all natural products, the drain would then continue.

It was, however, on the political dangers of closer trade relations that the popular campaign against reciprocity was

mainly based. As in 1891, Canadian nationality and British connection were declared to be at stake. The intentions of the United States advocates of reciprocity, the effect of its working upon Canadian interests and Canadian sentiments, alike made for continentalism. There was no question, it was urged, as to the desire of the majority of the people of the United States to see the Stars and Stripes waving from Panama to the Pole; the long record of territorial expansion, the recent imperialist development, the utterances of prominent public men, from the president's 'parting of the ways' message to the House speaker's 'We are preparing to annex Canada,' proved that whatever diplomatic denials might be made in official quarters the United States looked upon reciprocity as the half-way house to annexation. It might be that there were in Canada fewer avowed sympathizers with political union than in 1891, but, so far as Canada was concerned, it was not the intentions of the advocates of reciprocity but the effect of its adoption that gave ground for fear. Where the treasure was, there would the heart be also. Reciprocity would mean that St Paul and Chicago, Buffalo and Boston and New York, would be the centres in which Canadian sellers and Canadian buyers would be interested, that countless strands of business interest and social intercourse would bind Canadians to these markets, that the east and west traffic built up at such heroic sacrifice would be cut in half and the north and south lines developed, and that Canadian producers, after adjusting their whole efforts to the new markets, might be faced by an ultimatum that this market would be shut off and their business ruined unless they consented to seek political union. As to imperial connection, it was obvious that whatever happened to a separate Canadian nationality, all dreams of a stronger imperial sentiment and a closer union with the mother country were doomed to come to nothing.

The defenders of reciprocity appealed to confidence rather than to fear. They denied that there was any similarity between the conditions of 1891 and 1911. In 1891 any measure of reciprocity that could have been secured from the United States would have involved discrimination against

the United Kingdom ; in 1911 reciprocity not only involved no discrimination against Britain, but was accompanied by a greater preference, and a preference recognized by the United States. In 1891 it was difficult to see how unrestricted reciprocity could be brought about with a common tariff ; in 1911 both nations were explicitly free to alter their tariffs as they pleased. In 1891 the West was undeveloped, industry stagnant, the population stationary, national spirit, or rather colonial spirit, apologetic and pessimistic ; in 1911 the West was focusing the world's attention, industry expanding, population advancing and national spirit growing every year more confident, assertive, sturdily self-reliant. There was not the faintest possibility of Canada in the twentieth century consenting to throw away her national ideals and her national destiny. As for the annexation sentiment of the United States, unquestionably it was much weaker than at any previous epoch, thanks to growing domestic difficulties, and growing appreciation of Canadian hostility to the idea ; the contemporary utterances quoted were largely twisted from their context or were uttered by protectionist opponents of the agreement for Canadian consumption. In any event, it was not what the United States thought, but what Canada thought or would think, that mattered. If trade intercourse bred annexation sentiment, how explain the fact that the years since 1891, when Canadian imports from United States had been doubling each decade, were precisely the years in which the tide of national and imperial patriotism had been at the flood ? If imports were loyal, why were exports disloyal ? Admission to the United States market in 1854-66 had killed, not fostered, annexation sentiment ; exclusion from it since by unfriendly tariffs had not developed that sentiment, but exclusion of the West from that market in behalf of Canadian manufacturers and British Tariff Reformers might well breed it. Canadian railways already had thousands of miles of road in the United States, Canadian bankers kept their reserves in Wall Street, Canadian merger promoters called in United States capital and directors without question. The Canadian farmer who sold a bushel of good potatoes in the United States, no

more packed his loyalty with it than did Kipling selling a volume of verse in the same market for the same money.

So the controversy waged until the electorate gave its verdict in September. The voice of the people in a general election is a Delphic oracle, often difficult of interpretation; the confusion of issues, the difficulty of disentangling votes for a party from votes for an issue, the disproportion between electoral votes and parliamentary seats, obvious both in 1908 and in 1911, cloud the result. Yet the overthrow of the government was too emphatic to permit room for doubt that the majority of the people of Canada, especially of the industrial districts, would have none of the Taft-Fielding agreement. The ashes of controversy still are hot; to some the verdict appears a sturdy assertion of self-reliant national spirit and of imperial vision, of readiness to set ideals above immediate pocket gains, of determination to develop Canada's resources for Canada's sons; to others, a triumph of craven fear over a solid patriotism that scorned to doubt its own strength, a triumph of audacious appeal to prejudice by organized interests. Perhaps the determining factor with the man in the street was the conviction that at last he was sufficiently prosperous to be able to sacrifice a further gain for himself—or for his neighbour—in order to show his resentment of long years of United States hostility and condescension. Doubtless each explanation had its measure of truth; what the proportions were may be left for the partisans of the present to discuss, and for the historians of the future, peering through the cold mists of a half-forgotten past, to endeavour to determine. Thus another long chapter in Canada's commercial history was brought to its dramatic conclusion.

COMMERCIAL RELATIONS WITH OTHER LANDS

The Control of Negotiations.—With foreign countries other than her nearest neighbour, Canada's official trade relations became more important, though not in all cases more friendly. The development of autonomy in the control of foreign trade relations continued, until at the close of this period inde-

pendence in all but name was secured. It has been seen that the abandonment by the United Kingdom of the power of shaping actively the commercial policy of the greater colonies had come first in this development, and that by 1896 the only vestiges remaining were the most-favoured-nation treaties concluded by the United Kingdom in early years, and still binding the dominions. In 1897 the granting of the Canadian preference led the United Kingdom to denounce the two treaties which barred inter-imperial preference in tariffs. In 1899, to prevent future difficulties, it was stipulated that any colony adhering to a treaty negotiated thereafter between the United Kingdom and a foreign power might withdraw on giving a year's notice, without abrogating the treaty so far as other states of the Empire were concerned; clauses to this general effect were included in new treaties with Servia, Roumania, Bulgaria, Uruguay and Nicaragua, and inserted in older conventions with Egypt, Greece, Paraguay and Liberia.

As for the remaining most-favoured-nation treaties inherited from the old colonial régime, it appeared for a time that no concrete difficulty would arise to bring up the question of a dominion's power to withdraw or alter the terms. In 1906, however, when the Australian government introduced a bill offering a five per cent preference on British goods, provided they were imported in British or Commonwealth ships manned entirely by white labour, the British government pointed out that this provision conflicted with treaties, notably those with Italy and Austria-Hungary, which guaranteed to their shipping national treatment in the dominions, and the bill was reserved. Thus the situation which had earlier arisen regarding tariff preference now developed in the case of shipping preference. British shipowners were opposed to accepting a preference which would expose them to retaliation in respect to more important trade, the more so because the prohibition of Lascar or other coloured crews tended to confine what benefits there were to Commonwealth rather than United Kingdom shipping. In Canada the navigation difficulty had not yet been felt, but the Canadian government, in 1911, was experiencing the electoral incon-

venience of the same treaties, on account of the necessity of extending to the most-favoured nations the concessions granted to the United States in the pending reciprocity agreement. Accordingly, at the Imperial Conference of 1911 Sir Wilfrid Laurier backed the request of the Australian delegates for modification of the treaties, a request which Australia had made a year before, and which had led to preliminary negotiations with Italy and Austria. The members of the conference, with the full endorsement of the British foreign secretary, unanimously agreed that, in view of the principle having been conceded in the case of new treaties, negotiations should be opened to secure liberty for any dominion so desiring to withdraw from existing treaties, without impairing their force in respect to the rest of the Empire. Negotiations were opened at once by the foreign secretary, but, with the exception of Sweden, none of the countries concerned intimated immediate willingness to consent to partial abrogation. In view of the compensating advantages which the most-favoured-nation treaties conferred on the expanding trade of the dominions, and the smallness of the gain for which the United Kingdom was asked to run the risk of unsettling the whole treaty basis of its foreign trade, the issue did not arouse continued interest in Canada.

On the positive side the conduct and control of commercial negotiations were now entrusted to Canada to the fullest degree. In the treaty with France in 1907 the Canadian representatives conducted the entire negotiations, though the British ambassador added his signature to theirs as the third plenipotentiary. Sir Edward Grey declared it unnecessary to adhere to the Ripon dispatch of 1895, and the Right Hon. A. J. Balfour commented approvingly on the fact that the government of the United Kingdom had not been consulted and had not thought it advisable to offer any advice on the policy to be pursued. In the constant dealings with the United States, direct and less formal intercourse became the rule; the earlier demand for a separate Canadian representative at Washington died away, as the practice of entrusting both negotiations and the operation of permanent

commissions to Canadians grew, and as James Bryce, the British ambassador at Washington, proved that he was also the Canadian ambassador. The most notable aspect of this tendency was the quasi-diplomatic status assigned to the consuls-general of foreign powers in Canada, and the increasing use of this channel of communication, notably in the negotiations leading to the withdrawal of the German surtax and the extension of the intermediate tariff in 1910. In the agreement with Italy the parties were designated as 'the Royal Consul of Italy for Canada, representing the government of the Kingdom of Italy, and the minister of Finance of Canada, representing His Excellency the Governor-General acting in conjunction with the King's Privy Council for Canada.' Abroad, a Canadian consular service took shape by the appointment of additional trade commissioners and commercial agents from time to time. By 1912 Canada had representatives in the United Kingdom, Australia, New Zealand, South Africa, the West Indies, France, Germany, Holland, Norway, Cuba, Argentina, China and Japan. In that year formal arrangements were made with the British government by George E. Foster, the minister of Trade and Commerce, for extension of the service, and for the continued good offices meantime of the United Kingdom's consular staff.

Germany and Tariff Wars.—The first important tests of the larger powers arose out of the denunciation of the Belgian and German treaties in 1897. Belgium, which had a low single-scheduled tariff, made no attempt to retaliate, but Germany, richer in the possession of a dual tariff, in 1899 withdrew from Canada the benefits of the minimum or conventional duties, and imposed the general rates. Canada maintained that this retaliation was unjustifiable, since Germany, though subject to no discrimination as compared with foreign countries, could not expect to be treated on the same basis as other members of a common empire. But Germany, which might be excused for not understanding the anomalous relations of an empire whose components claimed unity one day and independence the next, declined to heed the Dominion's request for a restoration of the lower rates. Accordingly, in 1903, Canada retaliated in kind ;

power was taken to impose a surtax of one-third on the goods of any foreign country which treated imports from Canada less favourably than imports from other states. As a matter of fact, Italy, which equally did not grant Canada her minimum rates, was as deserving of retaliation as Germany, but it was only against the Zollverein that the surtax was enforced.

For seven years the war of tariffs lasted, and trade was seriously hampered. German exports to Canada, which had averaged ten millions a year in the three years before the surtax was imposed, fell to five and a half millions in the last three years of its operation, in spite of the fact that general imports increased two-thirds in this period, and that previously German exports had been rapidly expanding; in a few commodities, however, such as cotton, musical instruments and paper, the exports grew in spite of the heavy duty. Canadian exports of home produce to Germany, on the other hand, smaller than the imports to begin with, increased about fifty per cent in the corresponding period, though the increase was mainly in goods on the free list, or in which no difference existed between the general and the conventional tariff. Finally, when the extension of the intermediate tariff to other European powers threatened to increase still further the disadvantage to her trade, Germany took the initiative in resuming friendlier relations, and in February 1910 an agreement was entered into by the minister of Finance and the German consul-general. By this agreement, which was provisional pending negotiation of a broader one, Canada withdrew the surtax but did not extend any of the rates of her intermediate tariff; Germany, however, granted her minimum rates on grain, fruit, live stock, meats, timber, pulp, paper, canned foods, hides, leather, and boots and shoes, the most important items in Canada's dutiable exports thither.

France and Treaty Extensions.—Experience was bringing conviction of the desirability of a more flexible tariff arrangement. With dual schedules, or, counting the British preference, a triple array, it would be feasible to discriminate between friendly and unfriendly states, without involving the use of the unwieldy weapon of the surtax. Accordingly, in

1907 an intermediate tariff was authorized, containing rates slightly below the general tariff ; the governor in council was empowered to extend these rates to any British or foreign country, in consideration of satisfactory benefits. Furnished with this device for give and take, the Canadian government turned first to France, traditionally closest to her of European powers. The Hon. W. S. Fielding and the Hon. L. P. Brodeur succeeded in 1907 in negotiating a comprehensive treaty, but it hung fire for three years. The hitch in the negotiations came from unexpected opposition in French commercial circles : it was urged that the advantages were illusory, as they must be shared with other nations, especially with Switzerland, whose right to most-favoured-nation treatment had apparently eluded the negotiators until discovered by M. Sayous ; Canada's competition, on the other hand, would be dangerous, especially if the announced intention of several United States trusts to establish branch factories in Canada were carried out ; and the United States themselves would demand the terms conceded to the Dominion. In Canada there was little opposition, French imports not competing with the home producers, except Ontario's vine-growers, to the same extent as would German or United States products ; it was, however, prophesied, and rightly, that the making of the treaty would expose Canada to the maximum rates of the pending Payne-Aldrich tariff. Finally, some slight modifications were made, and the treaty was ratified by the parliaments of both countries in 1910. The treaty extended materially the range of products admitted at lower rates. Live stock, fresh and canned meats, dairy products, sea-fish as well as fresh-water fish, lumber and pulp, agricultural implements and other iron and steel manufactures, furniture, boots and shoes, were among the more important Canadian commodities given French minimum tariff rates ; French wines, olive oil, embroideries, lace, velvet, silks, ribbons, were allowed Canadian intermediate tariff rates, or special rates between the intermediate tariff and the British preferential tariff, and even, as in the case of drugs and some wines, duties below the existing preferential level, though simultaneously the same reduced rates were made part of the preferential

tariff. The most-favoured-nation obligation in each case was confined to the articles specified in the treaty.

The ice thus broken, agreements were rapidly concluded with other European powers. Austria-Hungary, Denmark, Norway, Sweden, Russia, Spain and Switzerland were already included in the most-favoured-nation circle. Belgium and the Netherlands, however, both low-tariff countries, granted Canadian goods terms more favourable than any other European powers, and accordingly in June 1910 the benefit of the intermediate rates, on the articles specified in the French treaty, was extended to them; the concessions granted to France below the intermediate rates could not be extended by mere order-in-council. At the same time a provisional agreement was made with Italy, providing for the admission of the specified products of each country into the other at minimum and intermediate tariff rates respectively. In all three cases, to be entitled to the lower duties, goods must be shipped direct from the country of origin, a British country, or other state sharing in the intermediate tariff, into a seaport or river port of Canada. In 1907 Canada adhered to the British treaty with Japan, guaranteeing most-favoured-nation treatment, a privilege declined a decade earlier; in 1911 a two-year compact was signed. By these agreements Canada had now replaced its simple single-schedule tariff of the nineties by a most elaborate structure: at the top was the surtax, held as last resort, then the general tariff, next the intermediate tariff, then the special concessions granted France below these rates and automatically extended to certain other countries, and finally the British preferential rates. If tariff negotiations could open doors to trade, Canadian administrators could not complain of lack of instruments.

THE EXPANSION OF FOREIGN TRADE

Abounding prosperity and higher prices were reflected in the rapidly mounting figures of foreign trade. For twenty years, what with slow internal development, and what with world-wide falling prices, there had been little advance; the total value of imports and exports, which had reached two

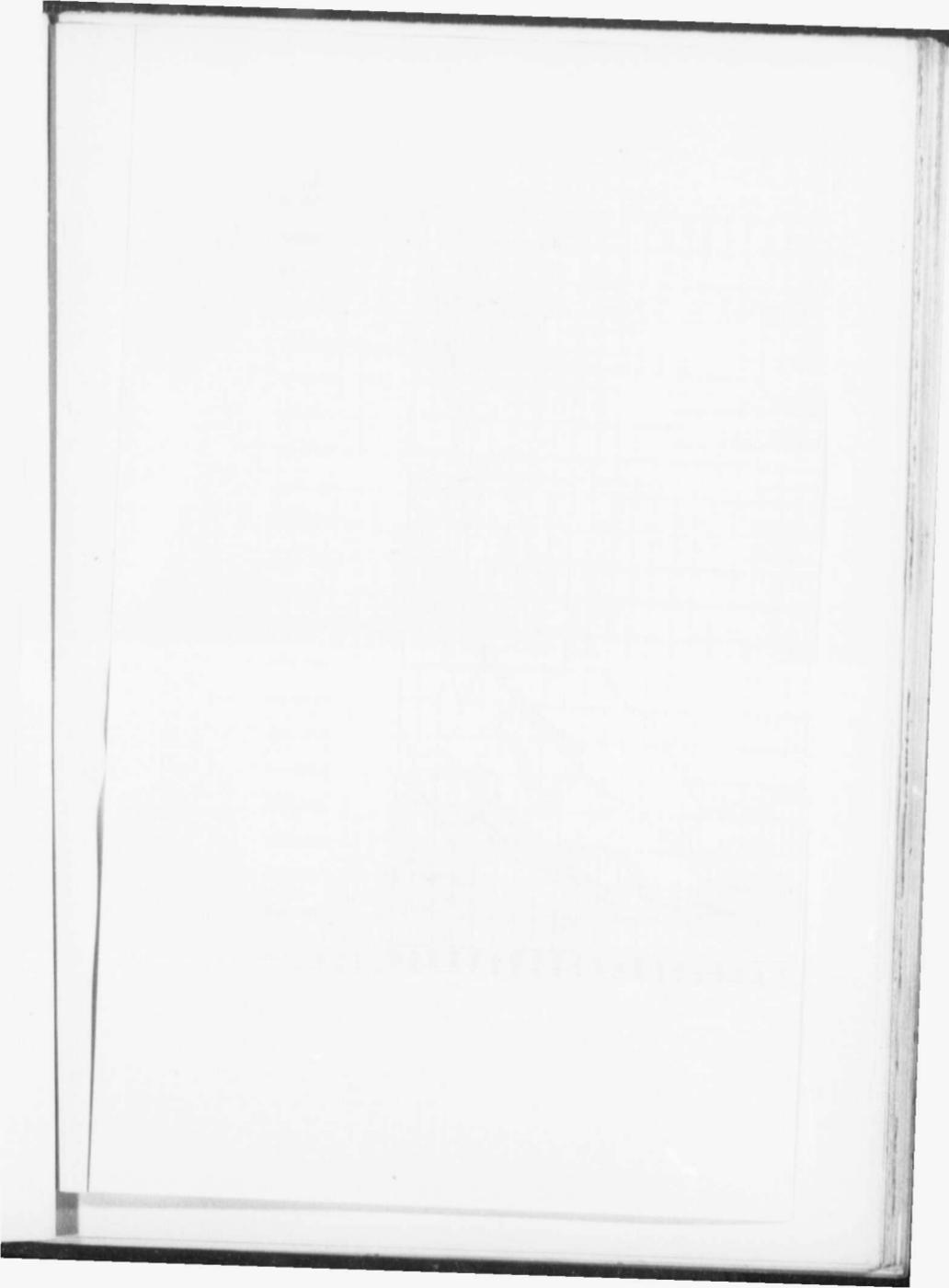
hundred and seventeen millions in 1873, two hundred and thirty in 1883, and two hundred and forty-seven in 1893, was less than two hundred and twenty-five in 1895, which proved the turning point. By 1903 values had doubled, by 1910 trebled, and by 1912 nearly quadrupled. Only Argentina among all the world's nations could match this record of growth.

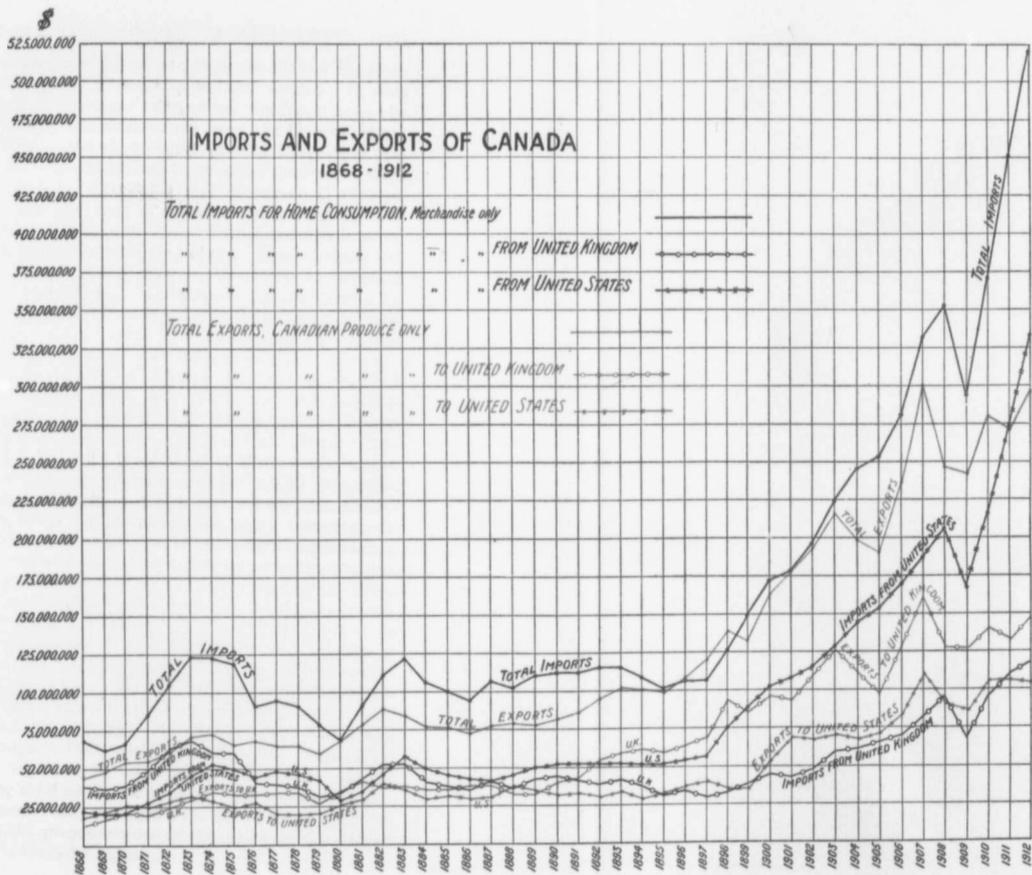
In the exports farm products accounted for the chief absolute increase. It was notable that the growth was greatest and steadiest in the case of the products making least demands on the labour force. The export of wheat, which had never reached a value of nine, and in 1896 was only five millions, exceeded sixty in 1912, giving Canada third or fourth place among the wheat-exporting countries; in the same period exports of wheat flour rose from less than one to more than sixteen millions. Flax-seed increased from practically nothing to six millions; barley and oats showed slower gains. Animals and animal products, after rising rapidly, fell in the later years: the export of live cattle, after increasing in value from seven millions in 1896 to eleven in 1906, fell off to five in 1912; sheep dwindled steadily after 1900; eggs reached their climax in 1902, and butter and cheese in 1900, though cream exports suddenly grew to two millions in 1911; bacon, after rising from three millions in 1896 to fifteen in 1903, fell below eight in 1912. Hides, however, rose from one to five millions. The exports of sea products grew in value from ten to fifteen millions, an increase due almost wholly to rising prices. Mine products expanded much more rapidly, increasing from eight to over forty, silver providing half the increase, and gold, copper, nickel, coal and asbestos contributing important shares. Forest exports doubled, thanks mainly to higher prices: increase in spruce balanced the decrease in pine deals; squared timber exports continued to decline; pulpwood rose from half a million to six; while planks and boards, accounting for nearly half the total value, increased fifty per cent in quantity and three hundred per cent in value. Manufactures, mainly those branches so closely connected with the first working up of natural products as often to be classified under farm

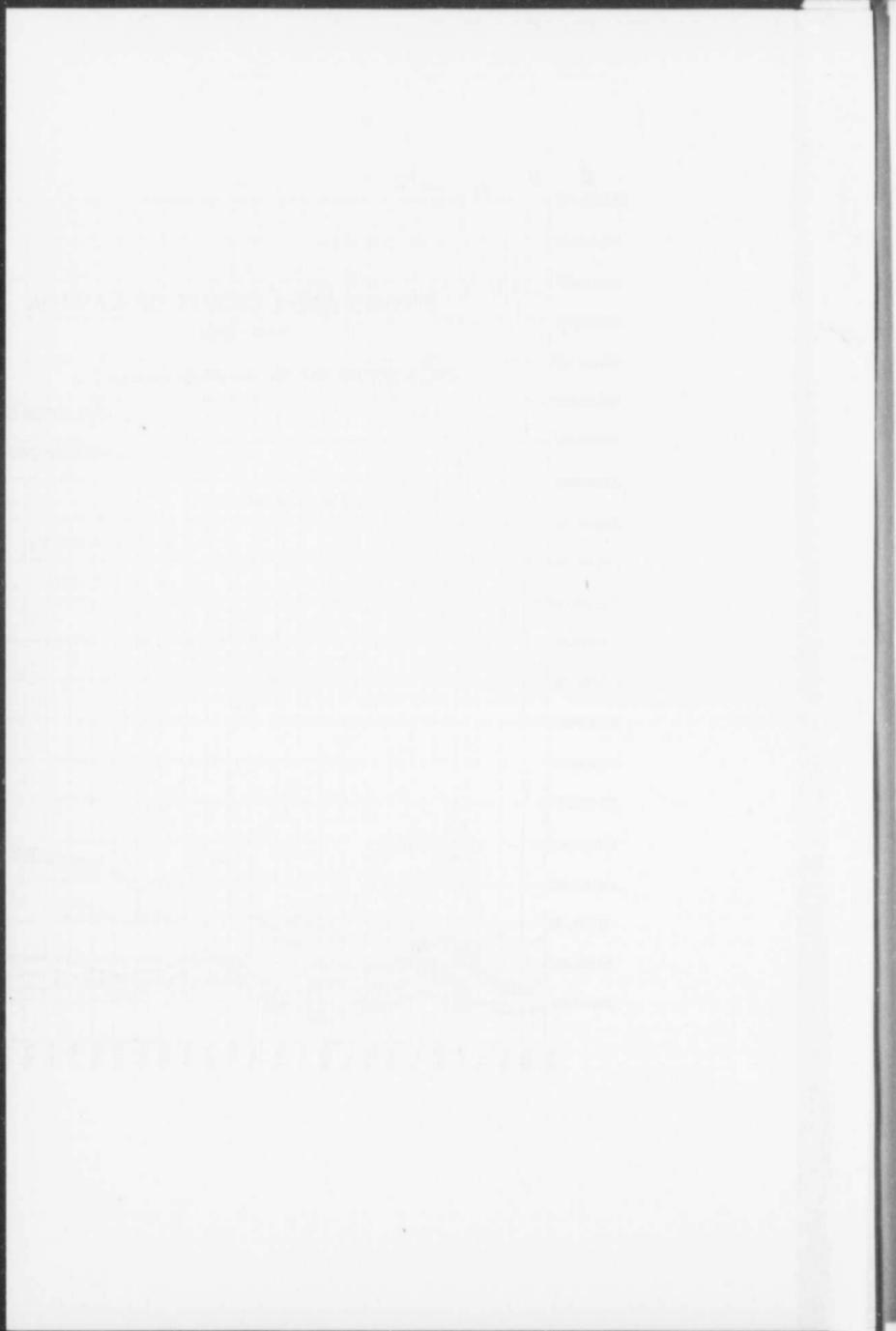
or forest activities, showed notable increase ; besides the flour, bacon, cheese and lumber products already discussed, the half-million exports of wood pulp grew tenfold. In the more advanced stages, paper increased from three thousand to nearly four millions, agricultural implements from half a million to nearly six ; cottons fell, leather remained stationary, carriages, aluminium, chemicals, liquors and iron and steel wares showed promising advance.

The United Kingdom continued to be Canada's chief market abroad, though in lessening degree : in 1896-98 it purchased fifty-nine per cent of the Canadian produce exported, in 1910-12 forty-nine. It took the great bulk of the grain, the cattle, the butter, cheese and bacon, the flour, the canned salmon, and the deals and squared timber shipped abroad. Next in importance ranked the United States, buying in the first three-year period thirty-one, and in the last, thirty-six per cent ; it provided the chief market for minerals, forest products, especially lumber and pulpwood, for wood pulp and paper, horses, sheep, hides, cream, flax-seed and chemicals. No other country, in spite of the persistent political endeavours to find wider markets, counted for three per cent of Canada's domestic exports ; Australia, for metals and machinery, carriages, lumber, paper and fish, the West Indies for breadstuffs and fish, Newfoundland for breadstuffs and coal, Argentina for lumber, Germany and Belgium for breadstuffs, and France for fish, minerals and machinery, were the most important outlets.

Meantime the total imports had been growing with much greater rapidity, from one hundred and eighteen millions in 1896 to five hundred and fifty-nine in 1912 ; the imports of merchandise for home consumption advanced fivefold, from one hundred and five to five hundred and twenty millions. The increase was mainly in manufactured goods, iron and steel, cottons, woollens and silks, leather, rubber, automobiles and electrical apparatus ; but raw materials such as coal, cotton and hides bulked large, and fruits, vegetables, breadstuffs and provisions rose in equal degree. Of this custom the United States obtained the lion's share : imports for consumption from the republic increased from fifty-eight







to three hundred and thirty, and from the United Kingdom only from thirty-two to one hundred and sixteen. In 1868 Canada made fifty-six per cent of her purchases from the United Kingdom, and thirty-three from the United States; in 1872 fifty-nine and thirty-two; in 1888 thirty-eight and forty-six; in 1895 thirty and forty-nine; and since then, with fair steadiness, twenty-five and fifty-seven in 1897-99, twenty-four and sixty-one in 1910-12. In face of the substantial tariff preference accorded to British goods this record created disappointment in some quarters. It was to be noted, however, that at least the decline in the proportion of British imports was arrested, and the absolute amount greatly increased. The experience proved once more that the tariff factor in international trade is often counteracted by the abiding but less discussed non-political factors. The huge increase in imports from the United States consisted chiefly of coal, cotton, tobacco, Indian corn and lumber, raw materials which were essential and which Great Britain could not furnish as cheaply where wanted, or at all; settlers' effects, which no tariff tries to bar; semi-tropical fruits; and manufactures, two-thirds of the total imports, chiefly machinery and metal manufactures, carriages and automobiles, binder-twine, books, drugs and chemicals, oils, paper, leather goods, men's furnishings, jewellery, watches, musical instruments, and other commodities in which similarity of tastes, identical technical requirements, common models and standardization of parts, the ease and quickness of supply, common advertising and the intimate relations between allied or parent and branch establishments on both sides of the line made large trade inevitable. In fairly competitive lines British manufactures held their own. France, for wine and silks, jewellery and woollens; Germany for metal manufactures, furs, chemicals and fancy goods; the British West Indies and Guiana for sugar; India and Ceylon for tea; Belgium for metals, and Argentina for hides were, in the order named, the remaining chief sources of supply. No country of them all in 1912 contributed three per cent of the whole imports, so great was the preponderance of the wares of the United States and the United Kingdom.

In the expansion of foreign trade imports played a greater part than exports. It is significant that in the first decade of the century the rate of increase in the total trade and in the imports of Canada was exceeded by Argentina alone of the principal nations, whereas the rate of increase of exports was exceeded by Argentina, Australia, Belgium, China, Germany, India, Japan, Mexico, the Netherlands, New Zealand, Norway, Switzerland and the United Kingdom. Since 1896 exports of Canadian produce have exceeded imports for home consumption only in 1897, 1898 and 1902; in the later years of the period the excess of imports grew with ever greater momentum, until in 1912 it amounted to over two hundred and thirty millions, or more than seventy-five per cent excess. The fact of a surplus was nothing new in Canadian fiscal annals, exports, in fact, having exceeded imports only three times between 1867 and 1897, but, except in the boom days of the early seventies and eighties, the margin had always been a narrow one. The widening gap after 1902 simply reflected the flow of outside capital into Canada to finance the sudden expansion of its railroad, industrial and state and municipal undertakings. As yet the amount borrowed by Canadians or brought to Canada by settlers, tourists and investors exceeded the sum of the interest on past borrowings, the remittances abroad made by recent immigrants, the foreign expenditure of Canadian tourists, and shipping and insurance charges. Accordingly, under the influence of changes in the price levels in the countries concerned, the totals of imports and exports of goods were adjusted to balance Canada's international accounts—the variations in specific items of the export and import traffic being of course due to countless other factors. When this stage ended in Canada, as it ended in the United States in the seventies, a surplus of export goods would probably mark the change. Meantime there was no ground for the fears of vague evils from 'an unfavourable balance of trade,' fears based on surviving mercantilist prejudices; the only question for consideration was whether the borrowed capital was being wisely invested, to ensure productive returns.

THE FARMER: TROUBLED PROSPERITY

A new epoch in the annals of Canadian farming began with the middle nineties. In common with the rest of the world, Canada experienced a rise in prices as extreme and as important in its economic and social results as the fall in prices of the previous score of years. The grain-growing areas of the West developed with amazing rapidity. British Columbia's fruit industry advanced with long strides. The shift to mixed farming or specialized fruit, dairy or stock farming continued in Quebec and Ontario. The Maritime Provinces awoke to their agricultural opportunities. Markets developed in the mining camps of east and west and north, in the railroad construction camps, in the quickly growing towns and in other highly specialized farming districts. In the later years of the period, however, Ontario and Manitoba seemed to halt in their progress. The drift to the newest West and to the cities continued to drain the eastern farm of its men. The endeavour to organize the farmers as a political force for the redress of grievances was renewed with more success. Radical policies of state intervention grew in farmers' favour, especially in the West. The policy of active government guidance and instruction was continued and developed both by the Dominion and by the provinces east and west.

In British Columbia production could not keep pace with expanding markets. Fruit-growing was especially prosperous; the orchard area of the province, which had grown only from 6500 acres in 1891 to 7500 in 1901, jumped to 30,000 by 1905 and 100,000 five years later, as the resources of not only the moist south-west, but of the irrigable valleys of the interior, were realized; quality advanced with quantity, as constant victories in United States and British exhibitions revealed. High prices fostered dairying and poultry-raising on the coast; in the cattle ranches of the interior, improvement in breed rather than increase of numbers was the feature. But the province did not yet feed itself. On the opposite coast the same general features were observable—the develop-

ment of local markets in the mining and industrial centres of Nova Scotia, the awakening of a new spirit of enterprise among government and people alike, the increased attention to scientific methods, the unquestioned advance in dairying and fruit-growing, and yet the continued importation of butter and cheese as well as meat and grain.

The three provinces of the central West claimed the world's first attention, and rightly. Swarming immigrants, expanding railroads, crops growing fast and land values growing faster, gave a prosperity great enough for the rest of the Dominion to share. In 1900, twenty-five million bushels of wheat grown in the three provinces; in 1911, one hundred and ninety millions, epitomize the story. In Alberta the cattle-rancher made way for the farmer, withdrawing into the foothills of the Rockies; winter wheat and the sugar-beet in Southern Alberta, spring wheat and oats in Central Alberta, mixed farming to an increased extent throughout, provided the country's wealth. Saskatchewan became the leading wheat-growing province of the Dominion, specializing in this single line to a greater extent than any other district. Manitoba, following slowly in Ontario's footsteps, turned reluctantly to mixed farming, but not in sufficient degree to prevent the necessity of Winnipeg importing butter and eggs and vegetables in large quantities from beyond the province. In Quebec and Ontario railway extension and mining discoveries brought the long-neglected and forest-covered north slowly under cultivation, and in the older areas production expanded rapidly. Ontario, which in 1891 grew two-thirds of the Dominion's grain, and in 1901 still three-fifths, grew only two-fifths in 1910, the bulk of it fed to stock on the farm; but in field crops as a whole it stood high, the value of its harvests in 1910 being equal to the crops of all the rest of Canada except Quebec, and the growth of fruit and stock and dairy farming more than made up for any falling away. After 1907 a halt came; the number of milch cows, other cattle, sheep and swine on the farms of Ontario decreased, though the cheese made, and in Quebec the butter, continued to expand at a slower rate. Simultaneous development of fresh home markets brought a rapid fall in exports of butter,

cheese and bacon, as has been seen, and even brought the central provinces to the pass of importing butter from Ireland and eggs from the United States.

This halt in farming progress afforded a text from which city critics preached to the farmer on the sins of neglected opportunities. He had been given growing city markets, higher prices, in the West free land and subsidized railways, everywhere ample government aid and guidance ; and yet the provinces by the sea were not self-sustaining, the prairie West went on wheat-mining, and in the central provinces production was at a standstill : the balance on the national books stood heavily against the farmer. The farmer had no need to fear the accounting. The farming population of Canada had doubled since Confederation, and the area occupied nearly trebled ; meantime the area in field crops had trebled, the wheat harvest had grown thirteen-fold, oats eight-fold, barley and hay four-fold, roots had trebled, the live stock on the farm had doubled, and the dairy industry and fruit-growing had attained great dimensions. And, if there still were many indifferent and unprogressive farmers, if the money that should have gone into under-draining often stayed in the savings bank at three per cent, if it were true that the yield of our farms would have been doubled had every farmer been as keen as the best to study market needs, to select seed and stock, to fertilize and adopt rotation and spraying, and to keep accounts, that only meant that the millennium was no nearer dawning in country than in town. Some markets had been added ; some had decayed. The protective tariff gave the farmer the factory that supplied one market for his eggs and milk and vegetables : the protective tariff raised the cost of the woollens in which he worked and the cement with which he built his silo, and hampered him in competing in the world market. Somewhere between the farmer and consumer an undue share of the grain and the stock stayed as toll, though railroad and elevator company, packer and miller, commission and retail agent joined in assurance of their large service and small profit. Especially should it not be forgotten that with fewer hands the farm was called upon to feed ever more mouths, that between

1900 and 1910 the farming population decreased in every eastern province except Quebec. There was scarcely a family in rural Ontario that had not sent a son and the bay colts and the second-best buggy to Manitoba or Saskatchewan, and another son to a city profession or trade. Immigrants had not fully filled their place, and what wonder that, with offers of thirty dollars a month for labourers finding no takers, the farmer of late years had adapted himself to the situation and turned to the work that required fewest hands? The sudden expansion of city population and of industrial activity had thrown many things out of gear, and time would be required for the readjustment; any solution of the question of providing the labour required for the intensive farming which was demanded, whether subdivision of farms, co-operative utilization of specialized labourers and of machinery, or building cottages and setting aside allotments for permanent labourers, involved much greater changes, not merely in the business management, but in the home life and social outlook of the farm, than would any mere doubling the capacity of a city factory by a cash-nexus employer. Meantime country and city alike, in the right perspective, had much reason, if not for absolute content, at least for large measure of gratification over their common progress.

THE DAY OF THE MINER

The years since the early nineties have witnessed remarkable progress in mining. The discovery of the fabulously rich placer gold of the Yukon, the Rossland boom, the development of the large deposits of low-grade copper in the Boundary district of British Columbia, the opening up of the Rocky Mountain coal-fields, the spectacular discoveries at Cobalt, the rapid extension of the production of structural materials, mark a period notable alike in speculation and in actual development. Improved transportation facilities, ready capital, increased technical skill, with the growth of mining engineering schools, rising demand in the home market, contributed to the success. The waste and fraud of stock-

jobbery, English and Canadian in Rossland from 1896 to 1900, United States and Canadian in Cobalt, especially from 1904 to 1906, scared away investment ; the higher cost of operation that came with higher prices of supplies and rising wages, especially important in an industry like mining, which receives practically no protection on the ore that is sold, and is heavily taxed on the bulk of the supplies that are purchased, slackened development after 1904 wherever the margin of profit was small. Yet the upward forces triumphed.

Gold led the way. In the Yukon work had been carried on ever since 1881, but it was not until 1894 that the rich gravels of the Klondike region were discovered on Quartz Creek, followed in 1896 by the still richer discoveries on Bonanza Creek. A world-wide stampede began in May 1897 ; by 1900 thirty thousand gold-seekers were in the camp. It was a poor man's field at first : the gravel was easily exposed by shaft-sinking or drifting below the overburden of low-grade muck and gravel, thawing by wood-fires or steam, or, somewhat later, by open work, thawing by sun and rain. The two and a half million output of 1897 grew to over twenty-two millions in 1900, much escaping estimate because of the desire to evade the government royalty imposed ; three and a half miles of claims on El Dorado Creek yielded over \$25,000,000. After 1900 the richer areas became exhausted ; production steadily declined till 1907, when it was only three millions ; then development on a large scale by hydraulic and dredging appliances, necessitating heavy investment, utilized the lower-grade gravels, and an upward trend began once more. The placer discoveries in Atlin, in Northern British Columbia, in 1897, led to the same sequence of development, while modern methods were applied to the old Cariboo workings. Simultaneously lode-mining was reaching new heights, in the Rossland and later in the Boundary districts, contributing the bulk of the five millions a year which has been British Columbia's steady average since 1900. The Nova Scotia field continued its modest yield, while Northern Ontario revealed new quartz deposits.

The silver-lead mines of the Slocan, Lardeau and Fort Steele districts of British Columbia continued to expand

until 1900, when labour troubles and United States tariff regulations lessened the output. A sliding-scale bounty on lead paid by the Dominion government, new markets for lead in China and Japan, the establishment of new corroding plants for the manufacture of white lead, and improvements in metallurgical practice led to renewed activity, followed after 1907 by another brief relapse. Meantime, the building of the Timiskaming and Northern Ontario as a colonization railway had opened up the Cobalt silver district. The richness of the naked silver veins, and the easy access from Canadian and United States centres, brought speedy development, and Cobalt was soon recognized as one of the world's greatest camps; by 1911 the output, rising steadily, had reached the height of over thirty million ounces, then worth refined about fifty-three cents an ounce. The nickel-copper deposits of Sudbury were developed rapidly, notable incidents being the entrance into the field in 1899 of an important English corporation, the Mond Nickel Company, and the formation in 1902 of the International Nickel Company, controlling the chief Canadian deposits, as well as New Caledonia and United States holdings. Bruce Mines were reopened, and the copper pyrites deposits of Quebec worked more extensively. Iron remained a disappointment; in spite of the bounties on the smelting of Canadian ore, the output, after rising to four hundred thousand tons in 1902, fell to half that quantity in 1911, foreign ore from Newfoundland and Minnesota, first used in Canadian furnaces in 1896 and first bountied in the following year, steadily taking its place.

Industrial expansion extended the production of coal from three and a half million tons in 1895 to nearly thirteen million in 1910, importations increasing in about the same ratio. Nova Scotia retained its lead, producing over half the whole, nearly half its output being consumed in the Maritime Provinces, one-third in Quebec and Ontario, and the rest chiefly in United States; the opening of the Crow's Nest collieries in British Columbia and Alberta brought up the western percentage: the vast deposits of lignite, bituminous and semi-anthracite coal of the western prairie provinces were tapped in many places. The Crow's Nest coal proved

of excellent coking quality, and the growing production of coke cheapened mining operations in British Columbia; in Nova Scotia as well the production of coke expanded rapidly, but Ontario relied mainly on coke imported or made from imported coal. In petroleum the features were the temporary development of new fields in Tilbury and elsewhere, the steady decline of the old fields, the increasing reliance on importation both for crude and for refined oil, and the control of the situation by the Standard Oil Company, through its affiliation with the Imperial Oil Company. The production of natural gas in South-West Ontario and at Medicine Hat, Alberta, grew steadily. The salt industry, now mainly controlled by the Canadian Salt Company, held its own. The development of the asbestos quarries continued rapidly until 1908, thanks to improved mechanical appliances and expanding markets; then the competition of foreign mines worked at lower costs and the activity of merger promoters brought disturbance and decline. The gypsum deposits of the Maritime Provinces furnished increasing yields. The production of Portland cement was roughly doubled every three years after 1896, reaching over five and a half million barrels in 1911; importations fell steadily until the latter year. Bricks and other clay products reflected the same increasing demand.

Of these various sources of wealth, in 1911 coal was first in value, on the Mines department valuation, then silver, pig-iron, nickel, gold, clay products, cement, copper, stone, asbestos, natural gas, gypsum, lead, salt and petroleum. On the basis of local values the non-metallic products would advance in rank. In the forty-odd years since Confederation the production of minerals had grown ten-fold and the exports thirty-four-fold. Canada had come to lead the world in the production of nickel, asbestos and corundum, and ranked third in silver mining; she was sixth in coal production, but yet, thanks to her coalless St Lawrence valley, was forced to import more coal than any other country. The record as a whole, with all its failures, all its achievement, all its promise, gave notable grounds for satisfaction.

FISHERIES : DEVELOPMENT AND STAGNATION

The fishing industry shared least in the Dominion's industrial expansion. In 1911 there were fewer fishermen employed than in 1896; in the same period the value of the catch rose only from twenty millions to thirty, the bulk of the increase being contributed by British Columbia. This slow development could not be attributed to any general lack of resources, for time only made clearer the Dominion's pre-eminence. Nor could it be charged to any slackening in the fostering activity of the federal government. On the contrary, this period witnessed still further efforts by the Fisheries department: marine laboratories were established at St Andrews, on Georgian Bay, and at Nanaimo; Scottish herring experts were employed to improve the process of curing; co-operative cold storage warehouses for bait were subsidized, and liberal grants made possible a fast freight service and a cheapened express service for fresh fish between Maritime Province points and the upper provinces, counterbalancing in some degree the greater nearness and reliability of the Boston or Portland markets; the same encouragement was later given to the British Columbia shippers to the prairie markets. The counteracting forces were varied. Reckless overfishing had exhausted some sources of supply, notably in the Great Lakes.¹ Hostile tariffs barred near markets, while the conservatism of the Atlantic fisherman, his persistence in primitive methods of curing and packing, prevented the full exploitation of the markets that were available. The rise of prices increased the cost of working in some instances to a profitless level. The attractions of other industries drew off the fishing population. Not only international complications, but the conflict of jurisdiction between the Dominion and the provinces played a part. The decision of

¹ The Ontario Game and Fisheries Commissioner gives his authority to the story that fifty years ago in Lake Ontario as much as 180,000 pounds of whitefish were caught in a small net in a few hours; from 1892 to 1906 the total catch of whitefish in the lake averaged only 250,000 pounds a year.—Report, 1909-11, p. 7. Of late, the whitefish catch in the Lower Lakes has increased.

the Privy Council in 1898 that the province had proprietary rights in the fisheries, but that the Dominion had legislative jurisdiction, implying power to affect those proprietary rights, and that both authorities had the right to levy a tax or licence, made confusion worse confounded ; Ontario, and, to a less extent, Quebec, assumed the regulation of its domestic fisheries, but other provinces, by a tacit agreement, for a time left the Dominion in control. A noteworthy instance of the injury caused by this lack of clear division of authority was afforded by the oyster industry : scarcely a year has passed since Confederation without laments over its stagnation and decline, but the conflict of jurisdiction prevented the adoption of the only certain means of regeneration, the investment of capital in oyster culture on beds of which the control for a term of years was assured. In 1912 the Dominion waived its leasing rights over oyster areas to Prince Edward Island.

On the Atlantic seaboard there were few new developments. Cod-fishing continued the staple industry, though lobster canning and the live lobster trade ran it close. The danger that the lobster industry would share the fate of the oyster industry was still apparent : the close season was observed, but the regulations prohibiting the canning of berried lobsters or lobsters less than nine inches long were more difficult to enforce, and were in fact flagrantly disregarded ; the rising prices and the increasing number of canneries concealed the depletion for a time. In the lakes of Ontario and Manitoba a noteworthy development was the acquisition by United States fishing companies of the control of the great bulk of the industry, so that Canadian consumers were forced to buy supplies from United States combines. The Pacific coast witnessed marked advance. The salmon industry expanded in spite of trap-net competition in Puget Sound ; canneries were built on the northern rivers and Vancouver Island ; the once-scorned cohoes and chinooks and hump-backs were canned increasingly in the years when the sockeye run was small ; the dog-salmon was put to use by Japanese fishermen, who salted it and shipped it to Japan. The halibut fisheries in the vast banks in the sheltered seas between Queen Charlotte and Vancouver Islands and the

mainland, which had begun in the early nineties, grew to importance through the operations of United States companies, which had then the rights of trans-shipment in bond to the opposite coast and of purchase of supplies, once vexed questions in the Atlantic fisheries. The Japanese, who had largely replaced Indian and white fishermen in the salmon industry, developed the possibilities of the herring trade, shipping the salted product to the Orient. New activity marked the Pacific whaling operations. The Dominion over, however, it was not the deep-sea fisheries that counted most in value; salmon totalled highest in this period, and lobsters second, with cod, herring and mackerel following.

THE MANUFACTURER'S GOLDEN AGE

The years since the middle nineties have been the Canadian manufacturer's Golden Age. The opening of the agricultural West and North, the growth of the urban East, gave him at last the expanding markets needed. With few exceptions the manufacturers rose to the occasion, added a new daring to the old solidity, and forced success. Orders poured in, factories ran overtime, new wings were built, new machinery installed, new branches established. Ontario and Quebec retained their primacy, Ontario producing fifty and Quebec thirty-one per cent of the total output in 1910, but Nova Scotia at last came into its own, and in the later years the West made rapid progress towards meeting its own primary wants. The scale of operations expanded; the number of establishments became smaller, but the average capital of all industries employing five hands or over increased from \$32,000 in 1900 to \$65,000 in 1910; in agricultural implements the increase was from \$159,000 to \$587,000; car-works, from \$353,000 to \$1,490,000; electrical apparatus, \$210,000 to \$368,000; paper, \$268,000 to \$660,000; and cigar factories, \$18,000 to \$97,000. The total value of the products of factories employing five hands or over had grown from \$368,000,000 in 1890 to \$481,000,000 in 1900, but in the next decade it expanded to \$1,165,000,000. The capital employed increased at a still more rapid rate, the salaries and wages

paid more slowly. Greater specialization became possible. New subsidiary industries started up. The tendency towards combination continued with accelerated force, now that the prospect of promoters' profit had been added to the prospect of a monopolized market as motive force. Capital poured in; British loans for the most part financed state and municipal, transportation and other public utility undertakings; but indirectly manufacturers shared in the flood of credit; United States investment took the form of active participation in industrial development. Labour problems grew; skilled workmen proved difficult to obtain; labour unions waxed stronger; employers' associations were organized to meet them. The machinery of distribution underwent rapid transformation. A generation's change was crowded into a decade.

For all the change and the new paths blazed, the industries resting on farm products continued to be the most stable and most important of Canadian manufacturing activities. With the flood of western grain rising to ever higher levels, with water-power and enterprise at hand and markets at home and abroad, milling grew apace, especially at points on the course of the grain from the wheat-field to the sea. Between 1900 and 1910 the capital invested grew from fourteen to forty-three millions and the value of the product from thirty-one to eighty-two millions. By 1912 the milling capacity of the Dominion was fourfold its consuming powers, and the export trade had become of first importance. Meat packing, canning and preserving, cheese and butter making, expanded as rapidly in the earlier years of the period, but met a check in the failure of domestic supplies of stock, and fruit and vegetables, and milk to expand as fast as the markets for the finished product, or in the diversion of the raw materials into other channels. Lessening bark supplies and competition from foreign tanneries operated by packing-house monopolists of hide supplies did not prevent tanners and manufacturers of leather goods increasing steadily not only the quantity but the range and quality of their wares. Distilling and brewing showed fair progress, the victories of the friends of prohibition not balancing the growth of thirsty cities and

the coming of immigrants from beer-loving lands. In the tobacco industry, improved curing methods and increased customs discrimination against foreign tobacco led to greater use of the tobacco of Quebec and Western Ontario and the Okanagan valley; cigar and cigarette making advanced much more rapidly than the manufacture of smoking and chewing tobacco.

The textile industries of Canada all rest on imported products; domestic wool-growing and flax-growing—for the fibre—have declined, and what wool is grown does not for the most part meet the needs of the home manufacturer. This did not prevent cotton manufacturing from thriving; the growing home market and increasing specialization made it less necessary to seek an outlet abroad, and the exports to the Orient dwindled. Silk factories were slower in developing, the lack of trained workmen and artistic designers being especially felt in this field; but from the zero of 1900 the factories grew to four a decade later. The woollen industry, or rather the cloth-making branch, was late in achieving success. The manufacture of woollens has traditionally been regarded as a precarious industry: the sudden shifts of fashion, the necessity of producing hundreds of patterns, have made success harder to win and harder to keep than in the staple cotton industry or in woollen hosiery and knitting. The very fact of its early establishment has meant the survival of many small mills with obsolete equipment, side by side with the newer and better equipped factories; industries like steel-making or pulp-making, coming late, have been able to start abreast or ahead of the world's average. The preferential tariff of 1897 made possible vigorous competition from British woollen manufacturers, thanks to lower labour-cost, interest-cost, fuel-cost, to wider markets, and, added the Yorkshireman, to more modern methods, or, retorted the Ontario manufacturer, thanks to Batley and shoddy. Even the partial repeal of the preference failed to bring immediate prosperity, just as much higher protection has failed to give prosperity to the industry in the United States. In the hosiery and knitting factories, on the contrary, whatever the explanation, newer equipment, greater enterprise or less

serious British competition, production was more than trebled between 1900 and 1910; the carpet, blanket and flannel branches showed steady expansion. Tailoring to order gave way before the factory's progress in style and efficiency; the value of men's ready-made clothing grew from eight to twenty-five and of women's from two to fifteen millions in the same period.

In spite of the growing use of steel and concrete in construction, timber remained indispensable; demand increased, and prices soared the world over. In Canada the general public began to appreciate what prophets crying in the wilderness had long foretold, that the forest wealth of the Dominion, currently much exaggerated, was really in danger of exhaustion by fire and axe within no distant period. The new conviction led to the adoption of true principles of conservation, the setting apart of reserves, better protection against fire, regulations in a few instances as to size of timber cut, and reforestation. This went well with the idea then becoming fashionable that the manufacture of raw forest materials should be carried to the most advanced stage possible within the borders of Canada. One by one the provinces, by virtue of their power, not as legislators but as owners of crown lands, took steps to secure this end. Ontario led the way by making the sawing of the logs in Canada a condition of licences to cut timber on crown lands, and in 1900 extended the requirement to cover the manufacture of pulp; by 1911 British Columbia, Quebec and New Brunswick had followed her example with variations, and Ontario had gone still further by insisting on the pulpwood of the crown lands being manufactured into paper. The plea that these were measures of conservation was transparent pretence; there is only one way to conserve the forest, and that is to ensure that the annual cut shall not exceed the annual crop. But on straight protectionist grounds they were defensible, since they were not aiming at building up exotic industries, but were simply hastening by a few years a development inevitable in view of Canada's water-power and forest wealth: the report of the United States Tariff Board in 1910 on the paper industry showed that the average cost of

production of a ton of newsprint in Canada was \$27.53, and in the United States \$32.88. A similar prohibition of export of tanbark from Ontario, giving the tanners artificially cheap supplies, was found to be unfair to the producers of tanbark, and, as they had more votes than the tanners, the regulation was suspended. But the migration of Michigan saw-mills to Ontario, and the establishment of many new pulp and paper mills in all the provinces concerned, convinced the general public of the expediency of the policy in its larger applications; and, just as the newspapers of the United States, protectionist and free trade alike, had fought for free paper, Canadian newspapers unanimously upheld the programme of restriction on the export of their chief raw material. Few industries developed with as great rapidity as pulp and paper making, usually carried on conjointly in the newer mills: the seven millions invested in 1900 had multiplied threefold five years later. English investors, it is true, had several disastrous experiences, but enterprises managed on the spot scored striking success.

The ideal set forth in 1887, of building up a completely self-sustained iron and steel industry in Canada, was still unrealized. The initial stage was lacking; in spite of the stimulus of higher bounties, Canadian ores were not produced in sufficient quantities to meet furnace needs, and in 1911 only 67,434 tons of Canadian ore were used as against 1,628,368 tons of ore imported from Newfoundland and the United States. In the more advanced stages, however, remarkable success was scored. The fifty thousand tons of pig-iron and the thirty thousand tons of steel produced in 1896 increased to 917,000 and 876,000 tons respectively in 1911. Many plants contributed to this rapid growth: the Nova Scotia Steel and Coal Company, an organization typical of the best features of Canadian industrial management, developed from small things to great by shrewd planning and hard work, its directors knowing when to go slow and when to take occasion by the hand. The Dominion Steel enterprises in Nova Scotia and the Clergue companies at the Soo, built with the lavish suddenness of the American promoter careless of future problems, after much stock-jobbery and painful reorganization

played a large part in Canadian industrial development. Notable, too, were the enterprises of the Drummond group, courageous pioneers in Canadian iron and steel making, and advocates of the use of native ores, but themselves forced to rely on the Midland furnace, using Minnesota as well as Ontario ores, to make up for the decay of their Londonderry and Three Rivers district plants. There were the Hamilton furnaces, which underwent many financial reorganizations, and the enterprises of the Canadian Northern interests at Port Arthur, besides other minor installations. Progress came in other metallurgical fields as well: the gold-copper ores of the Boundary district were treated on an unusually low basis of cost; at Trail a refinery, using the electrolytic process, was added to the smelter there for the further treatment of silver-lead bullion; in Ontario the Cobalt ores were at first shipped to New Jersey and even Colorado plants, but later, smelters at Thorold and Copper Cliff and Deloro captured a large custom, the last-named establishment having previously succeeded after long efforts in utilizing economically the arsenical pyrites of Eastern Ontario. The importance of Canada's water-power resources was strikingly demonstrated by the fact that bauxite ores were imported from Germany and treated at the plant established at Shawinigan Falls by the Pittsburg Reduction Company—the United States aluminium trust—and that large shipments of aluminium were then made back to Germany. The water-power of Niagara and the Ottawa was used to produce calcium carbide and carborundum on a large scale. Oil-refining came mainly under control of Standard Oil interests, though independent plants continued in special lines. The manufacture of heavy chemicals developed rapidly, but except for pharmaceutical preparations refined chemicals were not produced on a large scale. Mining and railroad construction brought prosperity to the explosives industry, and activity in manufacturing and in building involved steady expansion of the oil, paint and varnish business. Glycerine was produced as a by-product of soap-making.

It was in the making of tools and machinery that Canadian manufacturers had won their first successes, and in this field

success continued. In agricultural machinery the Canadian companies held the bulk of the home market, and built up a large export trade in Europe, Australia and South America, in face of keen United States competition, the leading firm sending half its output abroad. The value of the electrical apparatus manufactured jumped from two to fifteen millions in the first ten years of the century. Locomotive and car-works increased rapidly in number and capacity, but could not keep pace with railroad demands. The motor-car called a new industry into being, beginning usually as an assembling plant in conjunction with some United States company, and gradually undertaking more and more production on the spot. Some notable progress was made in steel shipbuilding in Ontario and Nova Scotia, but, in spite of proffered bonuses and bounties, the industry did not attain very great dimensions.

THE MERGER ERA

With the larger market came increasing specialization, a tendency strengthened by the merger movement, bringing many factories under joint control. At the same time the counter process of integration, the endeavour to build up a self-sufficient business depending on outside sources for as little as possible in the way of services and material, was equally notable. The larger iron and steel companies sought to secure control, not only of adequate sources of raw material—ore, coal and limestone—but of an assured outlet for their semi-finished products, by establishing rail or rod or wire mills. Department stores set up furniture or whitewear factories. The transcontinental railroads, especially the Canadian Pacific, branched out into many subsidiary activities, establishing steamship lines on lake and ocean, building and operating hotels at important centres, carrying on irrigation enterprises, building car-works for the manufacture or repair of rolling stock, and keeping close control of the express and telegraph and sleeping-car services which on United States roads were usually under outside management. Little advance was made toward localizing industry in special districts ;

the Essex and Welland peninsulas might show predominance in the automobile industry, Berlin specialize in footwear and furniture, Brantford concentrate its activities on machinery and metal-working, or Quebec continue a shoe-manufacturing centre, but there developed no instance of such complete localizing as afforded by Troy in collar-making or Birmingham in metal trades; the characteristic of Canadian industrial towns continued to be the medley of enterprises rather than their similarity.

Undoubtedly the most striking feature of the period was the growth of combinations among producers and distributors. The concentration of industry in fewer plants and the increase in the facilities for communication made it possible to come to terms in endeavours to control the market. Price agreements came to obtain in very many lines of industry, frequently taking the advanced form of pools. An investigation in 1905 into a plumbers' combine in Toronto, where jobbers of supplies, master plumbers and the plumbers' union had entered into an exclusive alliance against outside competitors and the general public, resulted in uncovering the existence of combines in a score of industries, especially in the manufactures of metals. A single Toronto firm of accountants was found to control the operation of the majority of these organizations. Suit was brought against the tack combine in 1905, as a beginning, but, although the papers of the combines' clearing-house had been seized and evidence was easily obtainable, the prosecution was not pushed, for what reason the lay public did not understand.

More characteristic of the period was the growth of out-and-out consolidation, following some eight or ten years after the main movement in the United States. The usual arguments were put forward as to the economies in operation which would result from combination, the specializing of product, the saving in executive and sales force, the elimination of cross-freights. The regulating of prices was usually an object, whether this involved an increase of prices already giving adequate profit, or merely an ending of cut-throat competition. There was, however, a new factor involved of greater potency: it was not so much the profit of operation

as the profit of promotion that was sought. In increasing degree the initiative in the formation of mergers came from financial promoters unconnected with the industry, and the motive lay in the possibility of selling the bonds and stocks of the greatly over-capitalized new companies formed, to a public as ready to rush to share in the hoped-for monopoly of a specific trust as to denounce trusts in the abstract.

The merger movement entered upon its full activity only with the recovery after the short depression of 1907-8. In the three years 1909, 1910, 1911, according to the computation of the *Monetary Times*,¹ some forty-one industrial combinations were formed, absorbing one hundred and ninety-six separate firms or companies. The aggregate capitalization of the separate companies had been \$125,000,000; the authorized capitalization of the mergers reached \$335,000,000. Among the more important amalgamations were the Dominion Steel Corporation, a holding company formed to take over the stock of the Dominion Iron and Steel and the Dominion Coal Company; the Canada Cement Company, comprising eleven companies, with \$35,000,000 capital authorized and \$29,000,000 issued; the Amalgamated Asbestos Company with \$25,000,000 authorized capital, and later the Black Lake Consolidated Asbestos Company with \$5,500,000 capital; the Canadian Car and Foundry Company, including the three largest establishments in Canada, and issuing two-thirds of its authorized \$20,000,000; the Steel Company of Canada, capitalized at \$35,000,000, comprising Hamilton and Montreal steel and screw works and rolling mills, as well as the Canada Bolt and Nut Company, itself a recent merger of five Ontario plants; National Breweries, Quebec, with eleven members; the Dominion Cannery Company, formed in 1910 with \$12,500,000 capital by the inclusion of twenty-three previously independent companies, with the Canadian Cannery Company, organized five years previously with about the same number; the Canadian Consolidated Rubber Company, incorporated in 1906 to take over five leading companies; Penmans Limited, another of the earlier for-

¹ January 6, 1912.

mations, including Ontario and Quebec knit-goods factories ; the Canada Iron Corporation, with \$11,000,000 authorized capital, including the pioneer Radnor and Drummondsville charcoal furnaces and the Londonderry furnaces, a newer coke furnace at Midland, and half a dozen foundries ; the Dominion Textile Company, organized in 1905 to take in four companies with fifteen establishments, spinning and cotton mills, bleacheries and print works, a fifth company being added in 1910 ; Matthews, Laing, a \$7,000,000 consolidation of three packing firms ; the Sherwin-Williams Company of Canada, comprising three paint companies, one a Canadian consolidation of some years' standing, another a branch of an American company, and the third a branch of an English house ; the Canadian Coal and Coke Company, incorporating five western enterprises in its \$21,506,600 fold ; three milling combinations—the Canadian Cereal and Milling Company, the International Milling Company, comprising the previous merger with an additional western company, and the Maple Leaf Milling Company ; and the \$11,500,000 Ames-Holden, M^cCready boot and shoe consolidation. Few branches of enterprise were overlooked : bread, milk, ice, fish, lumber, explosives, felts, soaps, jewellery, carriages, silk, thread, wood-working machinery, were all one to the promoter. Nor was the movement confined to industrial establishments. Light and power companies were included, notably the Montreal Light, Heat and Power Company, incorporated in 1901 and absorbing in the next ten years ten companies with valuable perpetual charters in the neighbourhood of Montreal, the Quebec and Sherbrooke amalgamations in Quebec, and the Seymour Power and Mackenzie interests' absorptions in Ontario. The chief lake and river navigation companies came under single control in 1912. The three big railroads continued to pick up small lines as feeders in all the provinces. The ocean steamship companies choked competition. Finally the banks joined the procession ; financial insecurity, the need of covering supplementary territory, or the desire to figure among the dominating financial powers leading up to the Northern-Crown, Commerce-Eastern Townships, Union-United Empire, Royal-Colonial, Royal-

Traders, Nova Scotia-New Brunswick, Home-Internationale and other amalgamations.

This epidemic of mergers was accompanied by serious evils, both in promotion and in operation. The investor to his cost found that, while a few of the new companies were prudently financed, the majority were over-capitalized. Taking existing capitalization or assets as the test, there was little question, after making due allowance for the instances where capital had not kept pace with increasing assets, and for the setting aside of a portion of the funds realized for extension of plant and increased working capital, that there was a huge gap representing the inordinate profits of promoters and vendors. The cement combine was perhaps the most flagrant instance, though several smaller enterprises with their lesser opportunities achieved results relatively as startling. Taking earning capacity as the test, the over-capitalization was equally great in some cases, as the holders of the asbestos mergers found to their cost. And even where the earning capacity was sufficient to provide the promised dividends, the consumer found that it was frequently at his expense, and that in some instances no savings of importance were made by combination, and that in others the savings were not shared with the public. The criticism passed upon the movement from this standpoint was not always discriminating. The combinations proved a menace to the public only where they possessed monopoly powers, either from control of natural resources, or from ownership of public service franchises, or, less securely, from the very magnitude of the capital at command and the close interrelation of industrial, banking and railway interests. Where the field was open to competition, efficiency and cheapness might be increased rather than lessened; there was little likelihood of permanent monopoly in bread or flour, or soap, or carriages, or beer; for a time a canning combine or a tinware ring might hold the field through its control of some indispensable articles which independent producers could not furnish nor importers bring over the tariff wall, but the field was too easily entered for monopoly to continue long. Meantime, on such goods as boots and shoes, soap, flour,

leather, cement, railway equipment and steel products, canned fruit and vegetables, knitted goods and paints, the tariff both facilitated combination and made possible the maintenance of high prices, though mergers were effected in industries enjoying little tariff protection—usually public services or production for local wants—and in some instances international agreements were made which would have rendered the remedies of freer trade inoperative.

Regulation, where regulation was needed, was slow in coming. The company laws of the Dominion and the provinces, based largely on English models, were fairly adequate, but the need grew apparent for the settlement of the vexed issue of the relative jurisdiction of federal and provincial authorities in chartering companies, and for greater publicity, especially in requiring details of the prices paid by promoters to vendors. After a few years' experience the over-audacious promoter supplied his own cure, and the market sagged with water-logged securities, until a new generation of experience-hungry investors had come forward. The consumer was less safeguarded than the investor. In 1889, after an inquiry by the House of Commons into the beginnings of the combine movement, the old common law prohibition of combination in restraint of trade was made statutory; in 1897 a clause was inserted in the Customs Act providing for the lowering of duties on goods in which a combine was proved to exist in Canada. But in both cases enforcement was left to private initiative, and the expense involved, and the fear of still greater evils from the hostility of the offending company or allied interests, deterred action. The Anti-Combines law of 1910 made a step forward in facilitating the process of investigation, but failed to take the essential step of laying upon the government the burden of enforcement. Only a single suit was brought under the tariff clause, the complaint of the publishers against the makers of newsprint paper; and by 1912 the Anti-Combines Act had also been invoked in only one case, the United Shoe Machinery Company's monopoly being investigated and condemned. With a conflict of jurisdiction between federal and provincial authorities, the general desire for rapid industrial development without too closely

counting the cost, and the power of important financial interests in political circles, inaction was explicable, and had its advantageous side in preventing blind running amuck, before study had been made of the trend of industrial evolution.

PUBLIC OWNERSHIP AND PUBLIC REGULATION 86

The unrest created by the rapid growth of powerful corporations gave new force to the movement in favour of public ownership, particularly in the field of quasi-public utilities. The federal government, with the conservatism of the larger and more unwieldy body, less closely in touch with industrial undertakings, made few experiments. The failure of the Intercolonial Railway to make ends meet was held to condemn all proposals for government ownership, though the strategic considerations determining the choice of route, the competition of the all-water route and of a railway running at the base of its narrow-angled sides, the lack of local traffic for long stretches, and the failure to provide adequate western connections, might fairly share responsibility with political mismanagement. A movement on the part of Sir William Mulock to nationalize the telegraph and telephone companies found little support in the government, and, when the project of a second great transcontinental was broached in 1904, the road was not made a national undertaking, though a long-term partnership between the state and the Grand Trunk Pacific marked an advance over the method adopted twenty years earlier. At the close of the period the conviction of the existence of serious abuses in the operation of terminal elevators led to a decision in favour of rigid control, and, if need be, operation by the federal government. The provinces, with more freedom for experiment, went further in this direction. Ontario built its colonization railroad to the north, controlled by a more or less independent commission; Alberta and Saskatchewan established telephone systems; Manitoba embarked on ill-fated experiments in operating interior elevators and provincial telephones. Especially in the West, public utilities came to be conducted largely by the municipalities themselves. The movement in the East,

except where waterworks were concerned, was less sweeping because of more conservative convictions or ties of existing grants of franchise. In Ontario an interesting partnership was established between the provincial government and numerous municipalities for the provision of hydro-electric power at cheap rates, resulting in substantial reductions to consumers in many centres.

Side by side with the feeling in favour of public ownership grew the conviction that public regulation was a wiser solution than ownership of the problem of natural monopolies. This belief was strengthened by the success achieved by the Dominion Railway Commission—which took the place of the cumbrous House of Commons committee—in settling the vexed questions between shipper and transportation company with businesslike dispatch and even-handed justice; less popular recognition was accorded to the work of the Public Service Commissions, established by Nova Scotia and Quebec, and Ontario's Railway and Municipal Board. The success of the Railway Commission led to its being given supervision of express, telegraph and telephone companies. Constant friction was caused by the endeavour to settle disputes between municipalities and the public service corporations to which they had granted long-term or perpetual franchises, by appeal to the ordinary courts; and, whether the fault was the lack of foresight of the framers of the franchise or the tendency of courts to give the private corporation the benefit of the doubt, there was a general feeling that the only alternative to public ownership was regulation by strongly manned commissions, unhampered by traditional court-rules and precedents, and in touch with the industrial needs of to-day. Another interesting venture in this field of regulation was the passing in 1907 of the Industrial Disputes Investigation Act, more familiarly known as the Lemieux Act. This measure, due to the initiative of the deputy minister of Labour, W. L. Mackenzie King, endeavoured to secure harmony between capital and labour in the field of public utilities, where the interest of the citizens at large was most closely touched, by insisting on impartial investigation before the declaration of strike or lock-out, in the hope that the calming

of passion and the pressure of an informed public opinion would compel peace. Unbroken success was not achieved, but in most cases, thanks largely to the precedent of informal conciliation set by the chairman of the first important board of inquiry, Adam Shortt, noteworthy services were rendered ; and Canada might justly hold herself to have made a notable contribution to the cause of social peace and social justice among the nations.

CO-OPERATIVE EFFORT

Co-operation in its varied forms did not play the part in Canada's industrial life its enthusiastic advocates had hoped. Consumers' co-operation found almost insuperable obstacles in the scattered and mobile population, the individualistic temperament and the lack of the class-consciousness underlying the English or Belgian movement, the carelessness of small gains, and the established strength of the department store and mail-order house. Latterly, however, the rising cost of living and the coming of old-country co-operators gave new force to the movement ; and in 1910 the Co-operative Union of Canada counted twelve affiliated societies, four in Nova Scotia, four in Ontario, two in Quebec, and one each in Saskatchewan and British Columbia. Credit co-operation took root only in Quebec, where the homogeneous population, the relative lack of utilization of the chartered bank's branch facilities, and the enthusiastic service of Alphonse Desjardins and his coadjutors, chiefly parish priests, gave wide measure of usefulness and success. Producers' co-operation was confined almost entirely to agriculture, and particularly to those districts in which special branches of farming were highly developed and concentrated. Cheese factories and creameries seemed at one time to offer a promising field, but the individualistic joint-stock company and the individual proprietor came to play more important parts. An important step was taken in 1912 in the formation in Prince Edward County, Ontario, of a co-operative farmers' organization to standardize production in the chain of dairy factories controlled and to market products direct. Fruit-growing, on account of the lack of

standards in selling, the perishability of the product, and the necessity of uniform grading and packing, specially lent itself to co-operative effort; and throughout Ontario, British Columbia and, in less degree, Nova Scotia, societies for marketing fruit and purchasing supplies multiplied in the early years of the twentieth century; finally in 1912 came the Co-operative Fruit Growers of Ontario, Limited, representing thirty of the fifty societies in the province, and designed to act as a wholesale selling and buying agency. At the same time capitalistic joint-stock companies were engaging in fruit-growing or fruit-marketing in Ontario, on a large scale, making it evident that the individual farmer would find in co-operative effort the only alternative to underselling by the better organized corporation. In Saskatchewan, co-operative elevator companies, given financial backing by the provinces, scored notable success, and Alberta followed its lead.

CHANGES IN DISTRIBUTION METHODS

In the distribution as distinguished from the manufacture of goods, important changes came about. 'It is conceded,' declared Chief Justice Falconbridge in 1910, in dismissing the conspiracy suit brought against the Dominion Wholesale Grocers' Guild for preventing a co-operative society which was engaged in both wholesale and retail business from obtaining supplies at the lower rates, 'that the proper method of distribution of goods is from the manufacturer through the wholesale dealer to the retailer and then to the consumer, because this is the most economical method.' Doubtless in a country like Canada, with its vast distances and scattered population, and with the inability of the average manufacturer to provide either the quantity or the range of product which would justify maintaining a separate sales agency, this is largely true, and particularly in the grocery or hardware trade, with the wide variety of products handled. But it is not true in all cases; and the striking feature of recent commercial development has been the elimination of the wholesale dealer or the jobber. Manufacturers producing on a

large scale have found it advisable to sell direct to the retailer or even to the consumer, saving the middleman's profits and securing more independence by closer touch with buyers. Meat-packers have established chains of stores for selling provisions direct to the public, and some tobacco companies and boot and shoe firms employ the same means. To a less extent a mail-order business has grown up between factory and ultimate consumer. In the publishing trade the jobber has little place; sales are made direct to the retail bookseller or to the reading public, through circulars or subscription agents. The manufacturer's retail store shades off into the exclusive agency set up for the sale of high-grade goods, especially those involving some technical capacity on the part of the salesmen, as typewriters, cash registers, sewing-machines, automobiles, and farm machinery, as well as hats and clothing. The increasing use of travelling salesmen—the rubber merger has dispensed almost entirely with the jobber—and especially the great expansion of advertising and the use of brands and trade-marks and package-goods, concentrating demand, have enabled the manufacturer to dispense with the middleman's services or to make him an automatic transmitter of public demand; the jobber still controls the sale of the cheaper grades of ready-made clothing, but the advertised brands are sold direct. In the retail trade itself, one of the most notable features has been the expansion of the department store, buying direct from the manufacturer or occasionally manufacturing for itself, and taking for its field not only its own city but the whole country, thanks to the expansion of business by catalogue and mail-order. Less extensive has been the development of chains of stores in different cities, economizing by large purchases and standardized products. The individual retailer has frequently succumbed to this double competition; but, as a rule, the convenience of neighbourhood, personal vigilance, or specialization in the better lines of goods, have enabled him to hold his own. The methods of distribution are in as constant flux as the methods of production; the channels of trade will follow the lines of greatest profit, whether or not the individual's profit means society's gain.

FOREIGN INVESTMENTS

Canada's rapid development was made possible only by the co-operation of foreign capital and foreign enterprise with the faith and energy of her native sons. To Britain especially she was indebted for the millions needed, her borrowings running in recent years to an average of \$150,000,000. It was chiefly to the purchase of federal, provincial, and municipal securities and of railroad bonds and shares that British credit was applied, though a substantial fraction was invested in industrial and mining and lumbering operations. Canada rapidly advanced to the foremost place among the countries into which Britain's surplus millions poured, though constant warnings were necessary to prevent reckless promoters killing the goose that laid the golden eggs, and Argentina in the latest years rapidly regained the leading place it once had held. Continental investment was on a smaller but expanding scale, France with its thrifty wealth leading the way, and Belgium and Germany following. United States investors bought few government or railway bonds; but the emigrants from the States brought the great bulk of the capital that came in with the settler, and United States capitalists invested with greater freedom in manufacturing, land, timber and mining enterprises. United States promoters established the Sault Ste Marie and Sydney steel and coal and power enterprises; Southern British Columbia's mining wealth was at one time developed entirely from Spokane; British Columbia timber limits are mainly in United States hands, and large investments have been made in eastern pulpwood areas as well as in pulp and paper mills; land companies brought north the methods that had proved successful in the Western States; and over two hundred branches of United States manufacturing companies were established in Canada, especially in Ontario, for production or distribution, comprising motor-cars, farm implements, cereals, elevators, carriages, condensed milk, cement, hardware, scales, typewriters, tobacco and scores of other products. Canadian and United States capitalists joined

hands in the asbestos, cement, rubber, explosives, paint and other mergers. An interesting tendency was the frequency with which the United States interests were bought out by their Canadian associates after a few years' co-operation, notably in the Dominion Steel and Coal and the Lake Superior and General Electric promotions. Meantime Canada in her turn began to take part in international financial dealings. Canadian banks had for years maintained branches in the United States and lent their surplus funds in Wall Street; now they dotted the West Indies with their branches. Canadian money, or rather Canadian enterprise, secured a remarkable place in the exploitation of the light and power traction opportunities of Latin America, especially in Brazil, Mexico and the West Indies. Canadian railroads built and bought and leased over seven thousand miles of road in the United States, more than one-fourth the extent of the whole Canadian railroad system.

WEALTH AND POVERTY

With the coming of a more complex industrial system and the rapid exploitation of the half-continent's virgin riches, the question of the distribution of wealth inevitably grew more acute than in the days of rural simplicity. Canada could still claim to be fortunate above most lands in her freedom from the gross inequalities of wealth and the deep-rooted antagonism between rich and poor which constitute the present world's most pressing problem. The freehold farm system, the absence of class privilege, education universal and free, if not always most wisely directed, the width and freshness of the new land's opportunity, ensured widespread prosperity. There was little poverty of the hopeless, degrading, Old World kind, though immigration and expanding industrialism created slums and housing problems in the larger cities before they were awake to the changing conditions. There was a growing measure of the poverty that still keeps up appearances, of the chronic difficulty caused by the rise of prices, and of a standard of living growing faster than incomes.

The widespread discussion of the higher cost of living during the later years of the period reflected public uneasiness as to the genuineness of the seemingly abounding prosperity. There were really two questions involved, not often clearly distinguished: the question of prices, or the relation between goods and gold, and the question of the balance between production and consumption, or the relation between goods and wants. The interaction of these factors worked notable social changes.

The first factor was the supply of gold and of the credit based on gold reserves. In the early nineties there began a tremendous and constantly accelerating increase in the world's annual output of gold, due to the discovery of new fields, of new methods of mining, and of improved metallurgical processes which made possible the treatment of hitherto refractory ores. The output in 1910 was more than three times as great as the output of twenty years earlier. As to goods in general, an estimate was more difficult to form, but there seemed ground for the conclusion that the increase in production had slackened. New lands were being opened up, but there was not the sudden expansion which in the seventies threw the harvests of the Mississippi basin on the markets of Europe; invention was still busy, but not as markedly as before in labour-saving directions. War and armed peace and fire—burning every year in the United States what would make a solid row of buildings stretching from Boston to Chicago—wasted wealth increasingly. The hours of labour the world over were shortened, half-holidays and vacations became more general, and beyond a varying point production fell off to correspond. The drift to the cities robbed the farm of millions of hands. An excessive proportion of society's working forces was absorbed in middleman's activities. And, in the third place, while production halted, demand kept soaring. Democracy levelled tastes and heightened ambitions. Growing leisure meant, for the poor of soul, need for more expenditure on outward things. Education, travel, intercourse, the sway of fashion, the relative growth of cities, raised standards of living.

Without entering into a discussion of the vexed 'quantity theory' of money, it may be taken as generally agreed that

the altered relations between gold and the credit based on gold, and goods, had much to do with the world-wide rise in prices which marked this period. After 1896 the rise was rapid and almost unbroken; the index numbers prepared by the Dominion department of Labour showed that by 1912 the average wholesale prices of the most important commodities had risen nearly thirty per cent above the average from 1890 to 1900, and retail prices and rents had soared to still higher levels. This rise, as English railway strikes, French food riots, German socialist victories and United States urban discontent revealed, was not peculiar to Canada: under the price-equalizing influence of international exchange, all the leading countries shared in the increase, in fairly proportionate degree. Conceivably a rise in prices might produce no important social effect, other than to alter the relations of debtors and creditors under long-term contracts; if all products and all service shared equally in the rise, it would matter little whether two counters or one were used to effect exchange. But, as a matter of fact, all members of our complex society have not shared equally. Wages have risen more slowly than prices, and salaries, largely fixed by custom, more slowly than the wages of manual labour. Manufacturers, buying labour and selling goods, farmers, financial interests which flourish in times of rising industrial activity, speculators in real estate, shared the exhilarating rise, and gave the tone and colour of prosperity to the period; other classes gained by more steady employment, but lost in the distance their incomes would go.

Thus, as the result of the working of the one pair of factors, the gap between what the world wanted, its standards of living, and what it could procure in the shape of goods and services, always a wide one, grew wider. And at the same time, as the result of the working of the price factors, the great masses found themselves possessed of a smaller fraction of the total purchasing power of society, just when their appetites had been whetted. Hence discontent the world over.

Canada shared the discontent, but in comparatively small degree, since the whole nation was on a higher level of prosperity than most of its neighbours, and high and low meant different conditions than elsewhere. Yet inequality grew,

due rather to the more rapid enrichment of the few than to the impoverishment of the many; prosperity drove in a wedge between the well-to-do and the struggling. Montreal alone claimed seventy new millionaires in a decade. Where the millions corresponded to social service, where they were the fruit of daring pioneering in the opening up of new resources or the improvement of industrial processes, few grudged enterprise and energy their reward. But most men viewed with growing uneasiness the concentration of wealth in hands that had done little toward its making, and the domination of industrial and political life by small groups of allied financial and railway and industrial interests in the three or four larger cities. Financial buccaneers who made millions out of merging mills they had never seen; promoters of fraudulent mining companies; members of rings and mergers who held up the public for all the traffic would bear; the owners of bounty-fed or protected industries whose profits did not, contrary to programme, filter through to the common people below; holders of unregulated public service monopolies; speculators growing rich overnight by the increment of land values communally created, did more to bring all wealth, honest and dishonest, into disrepute than the muckraker and the socialist street orator could do in a century without their aid. There was in Canada comparatively little growth of doctrinaire socialism, though the mining regions east and west developed an aggressive movement and the socialist minority in trade union ranks grew stronger. The note of industrial life was still prevailingly, even aggressively, individualistic; the working-man who bought prairie subdivision lots in ten-dollar instalments differed more in success than in ideals from the promoter who netted his easy million in a merger. Increasingly the intervention of the state was invoked, but only to act as umpire, not to play the game. There was little disposition to abandon the system of private property and individual competition or to hamper honest capital, provided special privilege could be removed from its seat. The spirit of business competition was less ruthless than in the United States; and in no mood of vainglory, but in ample recognition of the

lesser temptations, it was possible to avoid some of the pitfalls into which the older nation had fallen, by developing the civic spirit it recently had displayed. Less demanded, but not less needed, was an abatement of the speculative fever, less engrossing preoccupation with corner lots and wheat crops; but unless the preacher and the teacher and the midnight stars worked conversion, that did not seem likely to come about until success in the task of exploiting the country's riches had brought leisure, or hard times had brought repentance and plain living and high thinking.

THE HARVESTING

After nearly fifty years of striving the Dominion had no need to fear the accounting. The two oceans had been linked in triple bands of steel. The waste places had been filled, and prosperity brought to the native-born and the swarming immigrants from oversea alike. The farmer had fought a good fight, against nature's caprice and market forces beyond his sway, and won. The miner and the lumberman had mapped out the New World's riches over wide areas, and had brought their development to a high pitch. The fisherman, if not always keeping pace, had yet a notable haul to show. The manufacturer had developed enterprise and energy in the effort to give Canada an all-round development. National unity had wonderfully grown. There had been failures, mistakes of policy, triumphs of selfish short-sightedness over a broad sense of the common weal. There was still many a gap in development, many an acre to till and shaft to sink, many a problem of uneven and too self-satisfied material prosperity wherewith to grapple. But the men of the past and the men of the present could look to the accomplishment in fullest confidence, trusting that the men of Canada's to-morrow will be no less courageous and no less self-sacrificing than the men who have helped to make Canada to-day the world's fairest land of promise.

O. S. Skelton

Printed by T. and A. CONSTABLE, Printers to His Majesty
at the Edinburgh University Press