BRITISH IMPERIALISM AND CONFEDERATION:
THE CASE OF BRITISH COLUMBIA

by

DAVID DOUGLAS REID

B.A., University of British Columbia, 1972

A THESIS SUBMITTED IN PARTIAL FULFILLMENT OF
THE REQUIREMENTS FOR THE DEGREE OF
MASTER OF ARTS

in
THE FACULTY OF GRADUATE STUDIES
(Department of Political Science)

We accept this thesis as conforming
to the required standard

THE UNIVERSITY OF BRITISH COLUMBIA
May 1976
In presenting this thesis in partial fulfilment of the requirements for an advanced degree at the University of British Columbia, I agree that the Library shall make it freely available for reference and study. I further agree that permission for extensive copying of this thesis for scholarly purposes may be granted by the Head of my Department or by his representatives. It is understood that copying or publication of this thesis for financial gain shall not be allowed without my written permission.

Department of Political Science

The University of British Columbia
2075 Wesbrook Place
Vancouver, Canada
V6T 1W5

Date May 10, 1976
ABSTRACT

This thesis examines the forces behind British Columbia's entry into the Canadian Federation in 1871 by examining the historical and structural circumstances surrounding the relative stages of economic development in the Colony and the British metropolis. The thesis argues that British Columbia's entry into Confederation occurred within the total framework of capitalist expansion in the nineteenth century. It occurred within the context of British imperialism. The instruments of British imperialism and the character of economic development in the hinterland region of the Pacific Northwest, however, changed as the economic structure of England changed. The road to Confederation for British Columbia—as for Canada—was essentially determined by a shift in the economic structure of England from merchant to industrial capitalism. At a lower level of generality, the thesis concludes that a triangle of trade and capital investment existed between Victoria, San Francisco and London, and through London, to Montreal. This metropolitan network tied the Colony to Great Britain and ultimately to Canada. The ruling class of British Columbia was firmly linked to British capital, and it actively sought, in London, Montreal and Victoria, the achievement of Confederation.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abstract</td>
<td>ii</td>
</tr>
<tr>
<td>List of Tables</td>
<td>v</td>
</tr>
<tr>
<td>List of Figures</td>
<td>vi</td>
</tr>
<tr>
<td>I INTRODUCTION</td>
<td>1</td>
</tr>
<tr>
<td>II BRITISH COLUMBIA AND HISTORIANS</td>
<td>8</td>
</tr>
<tr>
<td>(A) 1870–1930: Idealism</td>
<td>8</td>
</tr>
<tr>
<td>(B) Environmentalism</td>
<td>13</td>
</tr>
<tr>
<td>(C) Metropolitanism</td>
<td>20</td>
</tr>
<tr>
<td>(D) British Columbia and Metropolitanism</td>
<td>26</td>
</tr>
<tr>
<td>(e) Conclusion</td>
<td>29</td>
</tr>
<tr>
<td>III THE STRUCTURE OF BRITISH IMPERIALISM</td>
<td>31</td>
</tr>
<tr>
<td>(A) Introduction</td>
<td>31</td>
</tr>
<tr>
<td>(B) Imperialism: A Definition</td>
<td>33</td>
</tr>
<tr>
<td>(C) Merchant Capitalism and Industrial Capitalism</td>
<td>37</td>
</tr>
<tr>
<td>(D) Mercantilism and British Expansion</td>
<td>42</td>
</tr>
<tr>
<td>(E) Industrial Capitalism and Imperialism</td>
<td>47</td>
</tr>
<tr>
<td>(F) Conclusion</td>
<td>51</td>
</tr>
<tr>
<td>IV THE FUR TRADE AND BRITISH EXPANSION: 1785–1858</td>
<td>53</td>
</tr>
<tr>
<td>(A) Introduction</td>
<td>53</td>
</tr>
<tr>
<td>(B) The Maritime Fur Trade</td>
<td>57</td>
</tr>
<tr>
<td>(C) The Continental Fur Trade</td>
<td>66</td>
</tr>
<tr>
<td>(D) &quot;Imperialism of Monopoly&quot;</td>
<td>70</td>
</tr>
<tr>
<td>(E) Colonial–Company–Rule: 1849–1858</td>
<td>80</td>
</tr>
<tr>
<td>(i) Land</td>
<td>80</td>
</tr>
<tr>
<td>(ii) Agriculture</td>
<td>83</td>
</tr>
<tr>
<td>(iii) Capital Investment</td>
<td>85</td>
</tr>
<tr>
<td>(iv) &quot;Family-Compact-Company&quot;</td>
<td>90</td>
</tr>
<tr>
<td>(F) The Fur Trade and Capital Accumulation</td>
<td>100</td>
</tr>
<tr>
<td>(i) The Northwest Company</td>
<td>100</td>
</tr>
<tr>
<td>(ii) The Hudson's Bay Company</td>
<td>103</td>
</tr>
<tr>
<td>(G) Conclusion</td>
<td>108</td>
</tr>
<tr>
<td>V ANGLO-CANADIAN EXPANSIONISM</td>
<td>111</td>
</tr>
<tr>
<td>(A) Introduction</td>
<td>111</td>
</tr>
<tr>
<td>(B) The Rise and Fall of the Second Commercial Empire of the St. Lawrence</td>
<td>114</td>
</tr>
<tr>
<td>TABLE</td>
<td>Description</td>
</tr>
<tr>
<td>----------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>I</td>
<td>Export of Commodities from British Columbia, 1872</td>
</tr>
<tr>
<td>II</td>
<td>The Value of Staple Exports from British Columbia, Selected Years; and the Total Value of Production of Minerals in British Columbia, Selected Years</td>
</tr>
<tr>
<td>III</td>
<td>Distribution of the Labour Force in British Columbia, Selected Years</td>
</tr>
<tr>
<td>IV</td>
<td>Total Exports from British Columbia, 1872</td>
</tr>
<tr>
<td>V</td>
<td>Exports of Forest Products from the Burrard Inlet Mills, 1870</td>
</tr>
<tr>
<td>FIGURE</td>
<td>Description</td>
</tr>
<tr>
<td>--------</td>
<td>-------------------------------</td>
</tr>
<tr>
<td>FIGURE 1</td>
<td>Organizational Time Chart</td>
</tr>
</tbody>
</table>
I  INTRODUCTION

In this thesis I plan to examine the forces behind British Columbia's entry into the Canadian Federation in 1871. The following questions were asked:

(1) Why did the Colony of British Columbia join Canada when there seemed to be powerful influences and forces working against its entry into Confederation?

(2) What was the nature and character of British imperialism in the Pacific Northwest? What were the instruments of British imperialism?

(3) What role did the fur trade have in maintaining British paramountcy in the region?

(4) What influence did San Francisco exert in the socio-economic development of British Columbia? Was economic power in the Colony the sole domain of the Americans? What was the character of the economic and political elite in British Columbia, and what role did they have in the colony's entry into Confederation?

(5) What was the role of merchant and financial capital on the road to Confederation for British Columbia?

(6) What was the structural relationship between the Pacific Northwest and Great Britain, Canada and the United States in the pre-confederation period? What were the economic linkages?

These are just some of the questions asked in this thesis. I hope to be able to answer them by examining the political economy of colonial British Columbia in both its local and international context. This thesis, however, is not an attempt to provide a detailed history of the period up to 1871, but rather to outline the general pattern of historical development in
This study will not be original in the sense of bringing to light new and previously unpublished information. On the contrary, it is hoped that its significance can be found in the way in which historical events and phenomena are reinterpreted. It is an attempt to provide not only a basis for future research, but also to point out the usefulness of historical materialism as a theoretical perspective for the study of the socio-economic relations of British Columbia.

The thesis is divided into eight chapters. Chapter II, "British Columbia and Historians", is an analysis of the historiography of British Columbia in the pre-confederation period; it examines the various interpretations put forth to explain why the Colony joined Canada in 1871. The following question was asked: Where did the historians of British Columbia find the conditions of the rise, evolution and functioning of a social formation? This chapter emphasizes the need for a metropolitan perspective; a metropolitanism that (1) moves from the descriptive level into a wider theoretical framework, and (2) takes into consideration the total framework of capitalist expansion and development in the nineteenth century. That is, a perspective that explicitly recognizes the imperialism of the metropolitan center and the structural relations that lie behind its outward form. This chapter does not pretend to be a clear demonstration of the inadequacies of the various approaches put forth by the historians of British Columbia. On the contrary, it is hoped that it will provide the reader with an opportunity to compare the perspective of this thesis from other approaches. In other words, the usefulness of the approach suggested here—and the assumptions that it is based upon—will be demonstrated in the "doing"; in the
way in which it is applied and in the questions it answers.

Chapter III, "The Structure of British Imperialism", examines the nature and character of British imperialism in the nineteenth century. A basic theme of this thesis is that the road to Confederation for British Columbia, as for Canada, was essentially determined or paralleled by a shift in Great Britain from merchant capitalism to industrial capitalism, and thus, in the transformation of the nature and character of British imperialism. The theme of the shift from mercantilism, the form of imperialism associated with merchant capitalism, to the "imperialism of free trade", the form associated with industrial capitalism, will be developed throughout the thesis. Therefore, in order to prepare the reader for a better understanding of this theme, this chapter will provide a definition of imperialism, and will examine the nature of merchant and industrial capitalism, and the character of British overseas expansion associated with each phase.

Chapter IV, "The Fur Trade and British Expansion: 1785-1858", examines the pattern of commercial penetration and settlement in the Pacific Northwest: How did the region develop? What was the sequence of development? What role did the Hudson's Bay Company perform in integrating the region into Britain's expanding economy and in maintaining the imperial relation? What was the nature and structure of British imperialism during this period? What was the performance of the Hudson's Bay Company during the period of Company-Colonial-Rule? Did the Company encourage or obstruct settlement and colonization? These and other questions will be answered in this chapter.

Chapter V, "Anglo-Canadian Expansionism", examines the forces behind Canadian western expansion. This chapter is important for the obvious reason that the future of the colony of British Columbia could not be
isolated from the question of Canadian federation. The entry of the Colony into Confederation had its roots in the same configuration of forces as those that stood behind the road to Confederation for Canada. The amalgamation of the Hudson’s Bay Company and the Northwest Company in 1821 brought Canada’s "first transcontinental economic system" to an end. The socio-economic development of the Pacific Northwest and Canada, however, was separate only in a geographic sense; both regions remained connected by dent of their relationship to the British metropolis. This chapter will examine the relationship between Canada and Great Britain. What effect did the breakdown of the "old colonial system" have on developments in Canada? What role did English financial capital, especially the big merchant banks of Baring Brothers and Glyns, Mills and Company, play in the road to Confederation? What interest did Canadian capitalists have in developing a transcontinental commercial system? This chapter will clearly demonstrate the theme that the structural relationship between the Colony and Great Britain changed as the relations of production in the metropole changed. At a fundamental, structural level, the road to Confederation for Canada can be interpreted as a process of readjustment to the shift from merchant to industrial capitalism in the British metropolis.

Chapter VI, "The Economic Structure of Colonial British Columbia", will describe the surface characteristics of the economic structure of the Colony by examining statistics on production and exports at various points in time. This chapter is not essential to the basic argument of the thesis. Nevertheless, if we wish to thoroughly understand the logic of the region’s development, an examination of the nature and character of the economy is essential. In other words, the economic structure of British Columbia will be identified—-for academic reasons if nothing else—-before we begin to
analyse the development and evolution of that structure.

Finally, chapter VII, "British Columbia and Confederation", will go on to examine the period in which British Columbia was directly administered by the Crown; the period of direct colonial rule. This was the merchant capitalism phase in the Colony, and in this regard, the economic structure will be examined by looking at the nature and structure of capital, and the size and mode of utilization of the economic surplus. The period of direct colonial rule also roughly coincided with a period in which the large British merchant or "empire" banks played an increasingly dominant role in the politics of British imperialism. The capitalists connected with the big merchant banks were engaged in international finance and trade, and they put British capital to work in the interest of binding foreign and colonial markets to the British factory and in developing sources of raw materials and foodstuffs. London was the center of the international financial and trading operations; it was the center of British imperial policy. How was British Columbia linked to this center? What was the metropolitan network? What was the nature and character of the ruling class in the Colony and how was it connected to the metropolitan centers of London, Montreal and San Francisco? Was political possession—the control of state power—the only means by which Great Britain was able to maintain territorial control and to preserve her strategic interests in the Pacific Northwest? Were there other, more fundamental, factors responsible for the maintenance of the British-Canadian connection? This chapter, by answering these and other questions, will suggest an explanation of why the Colony of British Columbia was eventually integrated into the new and expanding economy of Canada.
On the following page, a Time Chart (Figure 1), to which you may refer, has been included. It has been designed to assist the reader in organizing the various dates and terms used in this study.
FIGURE 1: ORGANIZATIONAL TIME CHART

1800

1821

1846

1849

1858

1866

1871

- Founding of Colony of VI
- California Gold Rush
- Fraser River Gold Rush
- Union of VI & BC
- BC Enters Confederation

THE STRUCTURE OF BRITISH IMPERIALISM

- Merchant Capitalism
- Mercantilism
- Waterloo (1815)
- Repeal of Corn Laws

BRITISH EXPANSION IN THE PACIFIC NORTH WEST

- Fur Trade and British Expansion
- "Imperialism of Monopoly"
- HBC Colonial Rule
- Direct Colonial Rule
- "Family-Company-Compact"
- British Mercantile Elite

THE FUR TRADE

- Maritine Fur Trade
- Amalgamation of HBC & NWC
- Oregon Boundary Dispute
- Select Committee on HBC (1857)
- Mounting Opposition to HBC

DEVELOPMENTS IN TRADE

- 1st Commercial Empire of the St Lawrence
- 2nd Commercial Empire of the St Lawrence
- (transition)
- Expansion & Consolidation

- Annexation Manifesto
- Financial Crisis
- End of Capital Imports
- Failure of Grand Trunk RR
- Confederation (1867)

- founding of Colony of VI
- Repeal of Corn Laws
- Repeal of Corn Laws
- Repeal of Corn Laws
- British Enters Confederation

- founding of Colony of EC
- Fraser River Gold Rush
- Union of VI & BC
- BC Enters Confederation

- first Commercial Empire of the St Lawrence
- 2nd Commercial Empire of the St Lawrence
- (transition)
- Expansion & Consolidation

- Annexation Manifesto
- Financial Crisis
- End of Capital Imports
- Failure of Grand Trunk RR
- Confederation (1867)
II BRITISH COLUMBIA AND HISTORIANS

(A) 1870-1930: Idealism

The historians of British Columbia who wrote before 1930 were very much concerned with explaining the reasons why British Columbia did not join the United States, rather than attempting to outline the causes of the Colony's entry into the Canadian Federation. Their concern can be summed up in two words: Annexation or Confederation? There seemed to be, on the surface, a number of good reasons to substantiate their concern.

Colonial British Columbia was isolated geographically from Canada and Great Britain, and the natural pull of trade and communication all seemed to suggest that the British Colony on the Pacific Coast would eventually join the United States. As Goldwin Smith would say: "The primary forces" of "geography, commerce, identity of race, language, and institutions" were bound to triumph in the end. San Francisco was the dominant metropolis of the North Pacific Coast up to the late 1880s and early 1890s, and Victoria was its northern outpost. The population of Victoria never climbed above 4,000 in the 1860s, whereas the population of San Francisco, which stood at 34,000 in 1850, soared to over 60,000 in the 1860s. Historians of later period wrote: "San Francisco was

---


2 Goldwin Smith, Canada and the Canadian Question (Toronto, University of Toronto Press, 1970 (1891), p. 45.
Victoria's connecting link with the outside world. The Shipping lines to the Pacific Northwest, to Panama, and across the Pacific had their headquarters in San Francisco, which also became the terminus of the Union Pacific Railway in 1869. The "primary forces" of commerce and geography were pulling colonial British Columbia into the orbit of the United States.

According to these early historians, however, the "primary forces" of commerce and geography were not the only influences at work. Two other factors were of prime importance: one was the growing disinterest on the part of the English in their colonies, commonly referred to as "Little Englandism", and the other was the growing threat posed by American expansionism. It was argued that the English colonizing spirit was at a very low ebb. After the Napoleonic Wars, the English were being slowly converted to the "free trade" philosophy of Cobden and Bright, and the colonies were becoming viewed as unnecessary and expensive luxuries. Following this interpretation, Hugh Keenleyside wrote: "On the whole, English opinion was adverse, rather than favourable to any strong effort to retain British Columbia, and no very grave obstacles would have been opposed to a peaceful transfer to the United States, had this been urged by the colonials themselves".

At the same time as England was retreating from her colonies, the United States was expanding her continental empire, and her merchants and traders were attempting to capture the maritime Pacific trade. In the 1840s Hawaii shifted into the continental orbit of the United States; in 1844 The Crushing Treaty with China was signed; and a decade later, Perry

---


4 Hugh Keenleyside, "British Columbia—Annexation or Confederation?", p. 36.
forcefully opened the doors of Japan to trade: all of these indicated the growing interest of the Americans in the Pacific Ocean. The Oregon Treaty was signed in 1846, opening the Northwest to American settlers, and the discovery of gold in California in 1849 virtually opened the floodgates of immigration. Between 1850 and 1870 the population of California climbed from 92,597 to 560,247, and by 1870 the population of Washington and Oregon was nearly five times as great as that of British Columbia.

Even if British Columbia was able to withstand the influx of American settlers into the region, however, there still remained the explicit political and military threat posed by the United States. After the Civil War the military strength of the United States was at its peak and was unrivalled in the world. The Fenian raids, the purchase of Alaska in 1867, the suggestion in 1869 that British Columbia be turned over to the United States as part of the liquidation of the Alabama Claims, and the Annexation Petition circulated and addressed to President Grant by a group of residents of British Columbia all seemed to suggest but one conclusion: the annexation of British Columbia by the United States.

Keenleyside summed up the general thread of this argument in the following manner:

Due to a multiplicity of circumstances in the years before Confederation, the annexation of British Columbia to the United States appeared to be the almost inevitable solution of what was from a British point of view, a very unfortunate situation. An insignificant incident might easily have altered the whole course of western history and have given the status of American territory to a region that is today the richest section of the Canadian Dominion.\(^5\)

\(^5\) Ibid., p. 34
If a "multiplicity of circumstances"—commerce, communications, geography, "Little Englandism", and "Manifest Destiny"—all conspired to pull colonial British Columbia into the American empire, then why did British Columbia join Canada?

The answer was to be found in the intentional activity of prominent colonial officials, especially James Douglas, Matthew Begbie and Colonel Moody, and in the statesmanship of John A. MacDonald and Cartier. As one recent commentator has observed:

Intrigued with the drama of Mainland gold rushes, the exciting rise of Victoria from fort to city, and the spectacular development of British Columbia as a Crown Colony, historians between the 1870s and 1930s offered accounts so rife with references to James Douglas and his colonial officials that contributions of other groups—notably merchants, professionals, journalists, and artisans—appeared pale indeed. Nor did the imbalance stop there. By focusing attention on the bureaucrats, especially James Douglas, our early chroniclers produced a large number of what were little more than political biographies.

These early historians tended to concentrate on the achievements of Governor Douglas and his officials at the expense of the influence of larger environmental and metropolitan forces. North American influences were ignored, except for the emphasis on the powerful threat of the United States. Canada was the result of a "Declaration of Independence" from the United States. The attachment to the values of the Empire were "thicker than water". The creation of Canada was the supreme political achievement of a group of dedicated politicians and officials who, believing in the superior values associated with Great Britain, were able to thwart the powerful Republic to the south. And, the historians who were in tune with this interpretation, when they came to discuss the

---

relationship of the Colony to England, spent a great deal of their time scouring Colonial Office dispatches or surveying the attitudes of individual officials in the hope of discovering the key to the process of societal change.

In general, these early historians found the conditions of the rise, evolution and functioning of a system in the attitudes and personalities of governors, politicians and bureaucrats. It was their "idea" of confederation and the maintenance of the British connection that explained the origin of the Canadian Federation.

Political biographies provide little in the way of a concrete understanding of society and history. The idealism of the early historians of British Columbia led to an approach that concentrated on the intentional activity of prominent officials and bureaucrats. Such an approach not only ignores the influences of other social groups and classes, but more importantly, the unintentional properties inherent in social relations; that is, properties not belonging to man's consciousness. The concept of "immediate" experience is scientifically meaningless. The starting point for the study of society and history cannot be from individuals, but from the relations between them. The ultimate basis for the transformation of an economic and social system cannot be found in man's consciousness.
(B) Environmentalism

The idealism of these early historians was redressed somewhat with the emergence of "environmentalism" in Canadian historiography. The impact of Frederick Jackson Turner, the American historian, spilled over into the academic circles of Canada. S. D. Clark, a Canadian sociologist, succinctly characterized this school when he wrote: "The forms of community organization which developed in Canada represented the adjustments of the population to their North American environment. Like similar forms across the border, they were the products of social experiments forced upon a people faced with new conditions of living". W. N. Sage, like other Canadian historians, was influenced by frontierist themes and concepts, and in 1930 he was the first to incorporate these themes and concepts into a study on colonial British Columbia. Environmentalism was developed even further in relation to British Columbia history with the publication of a joint work by H. F. Angus, W. N. Sage, and F. W. Howay in 1942. This book specifically attempted to delineate the impact of California on British Columbia. In both of these works, however, James Douglas and his colonial officials managed to maintain their central position. Sage, for example, claimed that Douglas was the "Father

---

7 For an excellent discussion of the development of Canadian historiography see, J.M.S. Careless, "Frontierism, Metropolitanism, and Canadian History", in Ramsay Cook, et. al. (edts.), Approaches to Canadian History (Toronto, University of Toronto Press, 1967), pp. 63-83.


9 W. N. Sage, Sir James Douglas and British Columbia (Toronto, 1930).

10 British Columbia and the United States (Toronto, Ryerson Press, 1942).
of British Columbia":

With all his shortcomings, of which he has his share, Sir James Douglas was a great man, the greatest in the history of British Columbia. He bridged the gap between the fur trade and responsible government. His firm hand was on the helm during the dangerous formative years of the two colonies...without Douglas' prompt action in framing regulations for the entrance of miners into the Fraser River district—however partisan those regulations were—the work of Lyton, Moody, and Begbie could never have taken place.11

Turner had argued that the individual's encounter with the great moving frontier of the North American continent was the true source of all that was good in America: democracy, equality, individualism, resourcefulness, etc.12 The frontier thesis was based on the idea of conflict: the margins of settlement versus the center of civilization, the forces of liberty and progress pitted against the forces of tyranny and reaction. This thesis easily lent itself to what Donald Creighton called the "Liberal Interpretation of Canadian History",13 with its imperialism versus nationality, colony to nation syndrome. The Liberal Interpretation of Canadian History was continentalist in outlook (like Mackenzie-King), and emphasized the emancipation of Canada from Europe in external relations and the reform movements and winning of responsible government in domestic affairs. The moral implication of the frontier

---

13 Such an interpretation, not without reason, coincided with the rise of Mackenzie King, O. D. Skelton, et. al., see Donald Creighton, "Towards the Discovery of Canada (1956)", in Towards the Discovery of Canada (Toronto, MacMillan 1972).
school—the "American version of the eighteenth century doctrine of the Noble Savage"—was never far from the surface. Sage praised the activity of Douglas, but at the same time argued that he acted as a mediating influence on the "frontier spirit". Douglas may be the Father of British Columbia", but he was also partially responsible for the "constitutional backwardness" of colonial British Columbia and the slow and tenuous development of responsible government. The democratic forces of the North American environment conflicted with the privileges and autocratic tendencies of the Old World. With reference to Canada and the United States in general, S. D. Clark wrote:

Geography had drawn the two countries together socially, yet there are many striking differences between them. Powerful forces have operated to bring about a distinctive development of many important aspects of Canadian society. The influence of these forces was most evident in the frontier...In the United States...few restraints were imposed upon the opening up of the new areas of settlement...In Canada, however, the risk of absorption by the souther neighbour was too great to permit the unrestricted development of new areas of settlement. Because of this threat the grip of political authority could not be relaxed within new areas of settlement in Canada as it tended to be south of the border.

The result was that "the Canadian nation grew mainly out of the forces of a counter-revolutionary character".

14 Ibid., p. 57.
15 Clark, "The Canadian Community and the American Continental System", in The Developing Canadian Community, p. 188.
16 Ibid., p. 189.
Environmentalism drew the attention of historians to important continental influences and away from the very limited studies of colonial officials, but at the same time it tended to neglect overseas or maritime influences, \(^{18}\) and most importantly, the effect of large metropolitan centers on the development of the Pacific Northwest. As some historians argued, expansionism in Canada was never an independent process. It was not the western frontier that was determined in the development of the social and political structures of the east, and the nation in general; the true lines of influence ran from the East to the West. As Hugh Aitken wrote in 1952: "...expansionism in Canada has been largely induced rather than autonomous"; \(^{19}\) it was the state that played the crucial role. In Western Canada between 1821 and 1870, the Hudson's Bay Company performed what could be called the "state functions" in the area. The Hudson's Bay Company, however, followed a policy of "conservation", and after the discovery of gold in British Columbia such a policy became an ineffective deterrent to American expansionism. The Hudson's Bay Company was therefore "compelled to cede part of its control to other agencies. Forces of expansionism, emanating principally from

---

\(^{18}\) Donald Creighton laments this fact when he writes: "...if they had ever stopped to theorize about the matter, they would doubtless have reached the unremarkable conclusion that British North America was the outcome of an encounter between the West European inheritance and the North American environment. In the 1920s and 1930s, however, these old-fashioned opinions began to be regarded as painful evidences of the continuance of the colonial mind. The Canadian historians and social scientists...sought instinctively to depress the importance of Europe as the source of Western civilization and to exalt the creative power of North America. North America was single, self-sufficient, and all-powerful". "Towards the Discovery of Canada", \textit{op. cit.}, p. 56.

the United States, could not be contained by any defensive measures available to a fur-trading organization. Only by union with the other British Colonies could the necessary resources be mobilized to hold the lines of defence against American expansionism and create a national transcontinental economy. It is essentially correct to argue that the state played a commanding role in the economic development of Canada, but to argue that this role was forced upon the state because of the threat posed by the United States is extremely misleading. The problem is doubly compounded if the state is equated with the intentional activity of individuals, and under such circumstances we are brought back to the position that argues that the transformation of a system is the result of the intentional activity of individuals.

The problem with this position is that even though it takes environmental factors into consideration it is still based on the assumption that Canada was primarily a political creation: Canada emerged on the northern half of the continent in spite of geography. Clark argues that it was geography itself that was responsible for nurturing the political activity that created Canada. Clark writes:

Geography, which favoured individual enterprise and limited political interference in the conduct of economic, social and religious affairs over a large part of the continent, favoured on this part of the continent large-scale bureaucratic forms of organization and widespread intervention by the State.  

20 Ibid., p. 203.

21 Clark, "Canadian and the American Value System", in The Developing Canadian Community, p. 232.
The argument that is often made by the "environmentalists" with regard to British Columbia is that her economy was dominated by the United States, whereas political power managed to remain in the hands of the British. In this regard, Willard E. Ireland wrote:

One of the most interesting anomalies in the history of British Columbia arises from the fact that the strongest single impellant in the creation of what eventually became Canada's Pacific province was the fear of American expansionist tendencies west of the Rocky Mountains and yet that tendency, although established in fact by population movements, never seriously transferred itself into the arena of practical politics. Why was this? It was because "...the threat of American expansion, whether real or imagined, had resulted in more concrete efforts to safeguard British sovereignty, and, throughout the gold-rush period "the government continued to remain firmly in the control of pre-gold-rush British officials"."  

This sort of argument is not restricted to the past. W. G. Shelton, the editor of a recent anthology of essays on British Columbia and Confederation, argues in the introduction that the annexation of British Columbia to the United States was economically practical and reasonable, but in the end, politics was more powerful than economics. Shelton writes:


23 Ibid., p. 67; also see Angus, Sage & Howay, op. cit., p. 142: "The few English inhabitants were completely swamped by this great wave of American immigration. Victoria became for a time American, but its administration remained in the hands of English officials".
Thus the entry of British Columbia into Confederation was a typically Canadian phenomena. It was a decision justified on pragmatic, not ideological, grounds, but at the same time, loyalty to a set of values loomed larger than mere economic advantage.

In other words, the survival of British Columbia was the result of a historical, political struggle with geography. The natural forces of trade and communications were in the general direction of north and south, not east and west. The Dominion of Canada, which has no economic or geographical unity of its own, was purely the result of a political creation—the "political being conceived as an autonomous and independent realm, a realm constituted by the behaviour and activity of individuals in what are defined as political roles: primarily those associated with the formal governmental structures.

The environmental and geographic determinism of this approach is quite evident. Environmentalism attempts to reinterpret North American society and history on the basis of the material conditions of the adaptation of man to definite environments. Man adapts himself to the environment by inventing and using certain techniques or organizational forms, and this in turn "creates" or "produces" a particular type of life-style and a particular set of values, attitudes and beliefs. In the case of the United States, the environment is all powerful; her frontier experience resulted in individual enterprise, non-intervention by the State, and a particular value system. In the case of Canada, the

24 Shelton (ed.), British Columbia and Confederation (Victoria, University of Victoria Press, 1967), p. 15. Paul A. Philips' article in the same volume, "Confederation and the Economy of British Columbia", follows the same argument: "Economically, a good case existed for union with the United States which without the tariff barrier would have opened up markets for lumber, coal and fish. Already America was the colony's most important trading partner..."(59). BUT: "In any case, the political commitment to the British connection was strong enough to overcome the economic objections..."(60).
environment resulted in elitism and state intervention because her uncompromising environment demanded mediation by the purposeful activity of politicians, officials and bureaucrats in order to ensure survival in the face of great geographic obstacles.

(C) Metropolitanism

Harold Innis was the first to break down the conception of the continent as a geographic unit and to give a much more explicit recognition to the role of the economy in social change. "The present Dominion emerged not in spite of geography but because of it". Canada is not purely a political creation, a reaction to North American geography and American expansionism. The separate existence of Canada can be found in the powerful factors of geography and commerce. Geographically the basis of Canada can be found in the great commercial communication system based on the St. Lawrence waterway. As a student of Innis, A. R. M. Lower wrote:

The St. Lawrence and the lakes strike westward like a dagger into the heart of the continent. It is along this east-west geographical axis that settlement has proceeded, and to the head of the lakes, now as in the fur-trading days, the products of the interior drain down: then they descend the lakes and cross the ocean. That gives a geographical backbone to Canada. Canada geographically and historically is the hinterland of the St. Lawrence sea-gate.

Economically the basis of Canada can be found in the production of staple products: fur, fish, lumber, wheat, minerals. "Canada remained


British in spite of free trade and chiefly because she continued as an exporter of staples to a progressively industrialized mother country. The commercial system of the St. Lawrence channelled the staple products of the interior to the coast, and then on to England where they were exchanged for manufactured products. The Pacific Northwest has an important maritime history of its own, but what secured British Columbia's connection with Canada and England was the great continental fur-trading organization that was developed first by the Northwest Company, operating out of Montreal, and later, taken over by the Hudson's Bay Company. As Innis wrote: "Canada emerged as a political entity with boundaries largely determined by the fur trade...The significance of the fur trade consisted in its determination of the geographic framework." "The fur trade not only laid down our political boundaries", however, "but was basic to our connections with England. The fact that the trade was prosecuted throughout the northern half of North America, largely under one control, was responsible for the establishment and maintenance of British connections".

The metropolitanism, as exemplified in the "Laurentian School" of Innis and Creighton, is really just the opposite side of the coin to environmentalism. Instead of the western frontier reacting on the East, it is the East that influenced, and in effect, controlled and determined

28 Ibid., p. 393.
the development of the West. But in terms of such an essential point as the causality of the economy and/or environment, metropolitanism is based on the same problematic as environmentalism.

The metropolitanism of Innis and Creighton emphasizes economic factors, especially the production of staple products, for it is this type of economic activity that accounts for Canada's particular type of economic development and for her continued connection with Great Britain. Innis wrote:

...the energy in the Colony was drawn into the production of the staple commodity both directly and indirectly. Population was involved directly in the production of the staple and indirectly in the facilities promoting production. Agriculture, industry, transportation, trade, finance, and governmental activities tend to become subordinate to the production of the staple for a more highly specialized manufacturing community. 30

In other words, social structures are all reduced to the economy, to the production of staples; but, in turn, the economy is itself reduced, through technique, to a function of the adaptation to the environment (geography). Canada's dependence on Europe is reduced to geography and the specific type of transportation that was adapted to fit it. 31 Canada's particular type of economic development---her dependence on staple commodities---is the result of the geography of North America, specifically the network of waterways based on the St. Lawrence and the various techniques developed to harness such a system: the canoe, the York barge, the canal, the steamboat, and later the railway, paralleling


31 see Innis, "Transportation as a Factor in Canadian Economic History", in Essays in Canadian Economic History, pp. 62-77.
the east-west axis of the waterway. The waterways of Canada held "a position of dominant importance in the moulding of types of economic and political structures". This was because "cheap water transportation favoured the rapid exploitation of staples and dependence on more highly industrialized countries for finished products". European technology acting on the Canadian environment produced our economic and social system. Confederation itself was ultimately the result of technology (the railway). As Donald Creightong wrote in his study of the forces behind Confederation:

The economic factors in the Confederation movement were rooted in the new economy of steam and machines and railways. The new age gave the people of British North America novel aspirations and novel methods by which they might be attained; and of all the dynamic agencies for material conquest and political expansion, the mightiest was the railway.

The metropolitanism of Innis and Creighton gives a great deal of primacy to economic factors in the economic and social development of Canada. But when we examine what they mean by the "economy" we discover that their approach, when it tries to become a general theory of social life and history, relies on the tenents of "vulgar" materialism. All social structures are reduced, in an epiphenomenal fashion, to the economy, which is itself reduced to a relation between man and nature;

32 Harold Innis, Problems of Staple Production in Canada (Toronto, Ryerson, 1933), p. 5. (my emphasis).


and as we have seen, it is technology and the environment that is the ultimately determining factor.

There is no doubt that the economic application of technical knowledge and net investment in productive facilities were of prime importance in the economic growth of today's advanced capitalist countries. But there is also little doubt that the necessary socio-economic conditions had to be present for the large net investment in new, technologically progressive productive facilities to take place. As Paul Baran writes: "In the Ancient World as in the Middle Ages there were many ingenious technical devices that were not utilized because the socio-economic conditions for their realization were lacking".  

The so-called Industrial Revolution in England and the rise of industrial capitalism was not purely the result of the introduction of automatic devices into production. It rather involved a complete transformation of the role played by the capitalist enterpriser. In England the process of economic development along capitalist lines had its roots as far back as the sixteenth century. The development of the pre-conditions of industrial capitalism involved a process that Marx called "primitive accumulation".  

Capitalist production presupposed both the emergence of an industrial capitalist "who was eager to increase the sum of the values they possess, by buying other people's labour power", and the creation of a class of free labourers, freed from feudal obligations and property. In other words, the pre-conditions


37 Ibid., p. 737.
for the development of capitalism involved nothing less than the complete transformation of the social structure. Industrial capitalism, in England, came into full maturity in the period 1775-1815; and it was associated with the rapid rise of a new class leadership; a class leadership linked with industry, with industrial capital, and not landlordism or commerce. English industrial capitalism was able to make massive strides forward due to many other factors besides the appearance of industrial inventions. Among these were: the maintenance of civil peace; a political and judicial apparatus capable of defending property rights; an ever growing labour supply thanks to the renewal and completion of the processes of enclosure; a widening and integration of the domestic market as a result of the public and private construction of roads and canals; a growing foreign market in Europe and overseas; and the extraordinary credit expansion associated with the governmental financing of the Napoleonic Wars.

The point that I am trying to make is that the ultimate basis for the transformation of a system cannot be found in technology or geography, but rather in the social relations of production (i.e., class relations) that men form in the production of their material existence.

History is not the result of technology or geography; it cannot be reduced to men's encounter with the environment. Nor is history the result of a subject who makes history. Men's intentional activity is of course a "reality" that cannot be ignored, but of much more importance in the understanding of the functioning and genesis of a system are the unintentional properties inherent in the economic structure and social relations.
Margaret Ormsby's comprehensive history of British Columbia was based on the valuable material brought forth by the work of the British Columbia Historical Quarterly (1938-1958). In her book, Ormsby attempted to balance the continental and maritime influences, but with a much more explicit recognition of the effect of metropolitan forces. While speaking of James Douglas and other colonial officials where necessary, she took into consideration the commercial position of Victoria vis-à-vis London and San Francisco, as well as looking at the relation of Victoria to its own satellite, New Westminster, and the conflict that was constantly surfacing between the two cities. But most importantly, Ormsby was one of the first to challenge —at least implicitly—the assumption that the survival of British Columbia as a province of Canada was primarily the result of the activity of a cadre of officials and bureaucrats; she gave a much more prominent position to commercial and business factors. It was not until the late 1860s, however, that historians began to examine in a


39 "The future of the Colony was a matter of utmost concern to English capitalists who had invested money in the timber lands of Alberni Canal and Burrard Inlet, in the coal fields of Nanaimo and the Queen Charlotte Islands, in merchandising business and commission agencies in Victoria and in the bonds of the colonial government. Ibid., p. 236.

"The suggestion of the Colonial Office that Canada might assume the financial and military responsibility for British Columbia was not unwelcome at Ottawa, where the national ambitions of the new government, and of the business interests which supported it, extended to the outer limits of the continent". Ibid.

"The Scots and Irish who, like the Canadians, had been at the mercy of English bankers in Victoria and of an English finance company which advanced money at rates of 12 and 18 per cent, tended to support the movement for union". Ibid., pp. 241-242.
detailed manner the assumption that economic power in the Colony was the sole domain of the Americans. The maintenance of political power by the British was not the only reason for British Columbia's entry into Confederation; there were more fundamental forces at work.

In the winter of 1968, Keith Ralston, who set out to examine the assumption that California was the metropolis of the Pacific Northwest, concluded:

The development of the British Columbia salmon canning industry does not...support the hypothesis that relations between San Francisco and British Columbia in the years 1867-92 were simply those of metropolis and hinterland. 40

In fact, there existed a "triangle of trade" for both San Francisco and Victoria: "...the triangle of trade involved direct and independent links with Great Britain, as well as cross-connections with each other". 41

J. M. S. Careless followed Ralston's work with a study of the Lowe Brothers, two pre-confederation Victoria merchants. In the summer of 1969, Careless wrote:

...the careers of the Lowe brothers suggest that a view of San Francisco dominance over much of British Columbia's earlier coastal development requires a wider perspective, for beside or behind the lines of growth spreading from the California metropolis older British metropolitan forces were still significantly at work in the hinterland. 42


41 Ibid., p. 45.

And in another article, Careless demonstrated that a strong British influence offset the influence of San Francisco not only in politics, but also in "capital investment, business personnel and the very dealings with major firms in San Francisco that were themselves part of a London-Liverpool and Glasgow metropolitan network".43

Thus, the suggestion that follows from this work is that there were important economic forces behind British Columbia's entry into the Canadian Federation. Victoria was part of a larger metropolitan network; a network that tied the Colony not only politically and constitutionally, but also economically, to Great Britain, and ultimately to Canada.

The problems with metropolitanism as it has developed in relation to British Columbia history, however, are two-fold. Firstly, it relies on the tenents of empirical materialism and has remained primarily descriptive. And secondly, it refuses to acknowledge explicitly the basic implication of the approach: namely, an imperialism of the metropolitan center.

Description is obviously a first step toward the development of theory, and the work of Ormsby, Ralston and Careless have provided useful information and insights by searching out the more basic (and often hidden) patterns of trade and communications. But what this approach fails to do, however, is to go beyond the mere examination of surface phenomena. It fails to bring to light the more fundamental structures

that shape and determine empirical reality. What is needed is a more holistic structural and historical approach. An approach that does not, when it attempts to become a general theory of society and history, lapse into a naive geographical or technological determinism. The point that I am trying to make is that metropolitanism, while providing useful insights at the descriptive level, must be placed within a larger and more sophisticated theoretical framework. A framework that views the development of capitalism from a historical and structural perspective.

The second point to be made is that the metropolitanism of these historians of British Columbia refuse to explicitly recognize the economic imperialism of the metropolitan center. British Columbia's entry into Confederation occurred within the total framework of capitalist expansion in the nineteenth century. It occurred within the context of British imperialism. In order to adequately understand the socio-economic development of the Colony the nature and character of British imperialism in the Pacific Northwest must be thoroughly examined. This point is further developed in the next chapter (chapter III).

(E) Conclusion

If the "intentional activity" school (idealism) and environmentalism are rejected as the basis for the transformation of a social formation, what other aspect of the human-nature system may be considered as the driving force behind history? One answer to this question was put forth in the materialist conception of history as developed by Marx and Engels: The ultimate basis of the transformation of a system are found
in the unintentional social structures that are created when men form social relations among themselves in order to carry out the production of their material conditions of existence. As Friedrich Engels wrote: "...according to the materialist conception of history, the ultimately determining element in history is the production and reproduction of real life". The key word in the above quotation is "ultimately". It is the transformations that take place in the economy, in the material conditions of production, that determine, in the last instance, the corresponding social and political structures. As Engels went on to say:

More than this neither Marx nor I has ever asserted. Hence if somebody twists this into saying that the economic element is the only determining one he transforms that proposition into a meaningless, abstract, senseless phrase. The economic situation is the basis, but the various elements of the superstructure...also exercise their influence upon the course of the historical struggles and in many cases preponderate in determining their form...We make our history ourselves, but, in the first place, under very definite assumptions and conditions. Among these the economic ones are ultimately decisive. But the political ones, etc., and indeed even the traditions which haunt human minds also play a party, although not a decisive one."  

It is this perspective that will be taken in this thesis.

---


III THE STRUCTURE OF BRITISH IMPERIALISM

(A) Introduction

Our inquiry into the origins of British Columbia's entry into Confederation is based on the method of political economy. This method concentrates on the structures of capital and on the nature of the dominant class, the capitalist class. The economic structure and class relations of colonial British Columbia, however, did not exist by themselves; the region did not develop in isolation.

British Columbia's entry into Confederation was a historical product of the relation between the dominant metropolitan centers and the Colony; it occurred within the total framework of capitalist development in the nineteenth century.

Throughout the pre-Confederation period, the Colony was economically and politically dominated by Great Britain. The Northwest Pacific Coast was an underdeveloped, hinterland region effectively controlled from without. The nature of this control must be examined, and in order to do so, we must take into account the unique historical and structural circumstances surrounding the relative stages of economic development in not only the hinterland region but also in the metropole. Colonialism, as R. T. Naylor said, cannot be explained by technological or geographical determinism or by "comparative advantage", but only by reference to the relative stages of capitalist development achieved by both the metropole and the hinterland. The metropole defines the character and extent of economic development in the hinterland area. Moreover, the structural relationship between the Colony and the metropole necessarily change as the metropole alters.

---

1 Naylor, "The Rise and Fall of the Third Commercial Empire of the St. Lawrence", in G. Teeple (ed.), Capitalism and the National Question in Canada (Toronto, University of Toronto Press, 1972), p. 2.
The structural relationship between the Pacific Northwest and Britain must be sketched out in order to adequately examine and explain the forces behind British Columbia's entry into Confederation.

A basic theme of this thesis is that the road to Confederation for the Colony of British Columbia was essentially determined or paralleled by a shift in Great Britain from merchant capitalism to industrial capitalism, and thus, in the transformation of the nature and character of British imperialism. This shift in the economic structure of the British metropolis was also reflected in developments in Canada. The road to Confederation for Canada, as for British Columbia, can be interpreted—-at a fundamental, structural level—-as a process of readjustment to the changed relations of production in the metropole. Monopoly and the Hudson's Bay Company reflected the era of merchant capitalism, the era of mercantilism, and the large British imperial banks of the nineteenth century reflected the era of industrial capitalism.

The theme of the shift from mercantilism to the "imperialism of free trade" will be developed throughout the thesis. In this chapter, imperialism will be defined, and the nature of merchant and industrial capitalism, and the character of British overseas expansion associated with each phase, will be examined. The object of this chapter is to prepare the reader for a better understanding of this theme.
(B) Imperialism: A Definition

The period of 1815 to 1870, according to one interpretation of the history of the British Empire, marked the era of "Little Englandism". It represented the fifty-odd years between the mercantilist imperialism of the eighteenth century and the "neo-imperialism" of the late Victorian Age. After Waterloo the old mercantilist system was rapidly dismantled and free-trade, laissez-faire and anti-colonialism rose to a position of dominance. It was an interlude of peace and prosperity; and most significantly, it was an age of anti-imperialism. The formal empire was the only test of imperial activity, and, with its disintegration, imperialism vanished.

The problem with this interpretation, however, is that it does not fit the facts. It tends to distinguish between the formal and informal aspects of empire, and to define imperialism as a political phenomena. It disassociates capitalism and imperialism and assumes that formal, constitutional independence precludes the existence of exploitive economic relations. In other words, the colonial relationship is political and not economic. Such an interpretation is based on a legalistic, formal notion of imperialism which just does not hold up under closer scrutiny. From the early 1950s onwards, scholars began to challenge the above view. In 1953 John Gallagher and Ronald Robinson wrote in an influential essay:

---

2 For this older view see, C. A. Bodelsen, Studies in Mid-Victorian Imperialism (Copenhagen, 1924); A. P. Newton, A. Hundred Years of the British Empire (London, 1942); R. L. Schuyler, The Fall of the Old Colonial System: A Study of British Free Trade, 1770-1870 (New York, 1945).

Far from being an era of 'indifference', the mid-Victorian years were the decisive stage in the history of British expansion overseas, in that the combination of commercial penetration and political influence allowed the United Kingdom to command those economies which could be made to fit best into her own.

In the early 1960s, John S. Galbraith, following the work in this area, concluded that "...there is no evidence to support the assumption that doctrinaire 'Little Englandism' was ever influential in either Parliament or the Cabinet". And as Galbraith went on to say:

The myth of the 'Little England' era largely arises from a preoccupation with the empire in a strictly political sense and a failure to recognize the importance of what has been called the 'informal empire' of trade and investment (Gallagher and Robinson). The early Victorians were indifferent or hostile to the extension of formal Empire because political control involved costly administration and even more costly responsibility for defense. It was much to be preferred that the conditions requisite for trade and investment should be maintained without such expense.

The "myth of Little Englandism" and anti-imperialism completely disintegrates if the total framework of capitalist expansion in the nineteenth century is taken into consideration. The new ideological conceptions associated with the industrial capitalism of the nineteenth century masked the essential continuity of policy throughout the period. Britain could afford to foster free-trade because her industry was clearly in a position of competitive advantage; industrial production

---


was paramount, and all else seemed superfluous. But this does not alter the fact that British society was expanding, expanding in both a formal and informal sense. The annexation of New Zealand in 1840 or of Natal in 1843; the Sikh campaigns of 1845 and 1848; the massive exports of capital and manufactures; the migration of citizens, language, and constitutional forms; the securing of guarantees of free trade and access to markets; and the granting of a charter to a private monopolistic company to administer and finance a new region as in the case of Vancouver Island are all part of the same process of an expanding industrial economy.

The point is that if imperialism is simply defined as a political phenomena it misses the important distinction between the formal and the informal methods of control and expansion. The "mercantilist use


The struggle of this part against the old English institutions, products of a superannuated, and evanescent stage of social development, is resumed in the watchword: Produce as cheap as you can, and do away with all the faux frais of production (with all superfluous, unnecessary expenses in production)....The nation can produce and exchange without royalty; away with the Crown. The sinecures of the nobility, the House of Lords? Faux frais of production. The large standing Army? Faux frais of production....National Wars? Faux frais of production. England can exploit nations more cheaply while at peace with them".
of power to obtain commercial supremacy and monopoly through political
possession" or the "imperialism of free trade" which is content to
"limit the use of paramount power to establishing security of trade"
are simply variable political functions of an expanding industrialized
British society.\textsuperscript{6} Imperialism can be defined, as Gallagher and Robin­
son do, "as a sufficient political function of this process of integ­
rating new regions into the expanding economy".\textsuperscript{7} Economic imperialism,
as a more recent commentator has argued, is the "economic domination of
one region or country over another---specifically, the formal or in­
formal control over local economic resources in a manner advantageous
to the metropolitan power, and at the expense of the local economy".\textsuperscript{8}
Economic control assumes different forms and is exercised in different
ways depending on the circumstances of the region of interest. L. H.
Jenks writes:

\begin{quote}
My conception of "economic imperialism" involves
more than \textit{vital dependence}. It means \textit{control}
from without. It means conscious direction, how­
ever blundering, however ignorant of its own social
significance. Moreover it means control of any
directive kind, whether economic or political,
whether thru the pressure of a navy or thru the pur­
poseful employment of a discount or exchange rate,
whether thru a restriction upon loans or as exerted
upon isolated units of a country's economic life thru
the decisions of alien companies operating within its
frontiers. Where these companies control an essential
\end{quote}

\textsuperscript{6} Gallagher & Robinson, "The Imperialism of Free Trade",
\textit{op. cit.}, p. 6.

\textsuperscript{7} Ibid.

\textsuperscript{8} James O'Connor, "The Meaning of Economic Imperialism",
in Robert Rhodes (ed.), \textit{Imperialism and Underdevelopment} (New York,
industry, either as to market, output, or production, where they dominate the social life of a community, economic imperialism certainly exists whether it bears a sinister connotation, threatening a disturbance or the world's peace, or not.  

Underlying the diverse forms and methods is the basic principle of extending control. A principle that can be summed up in the following statement: "Trade with informal control if possible; trade with rule if necessary".  

(C) Merchant Capitalism & Industrial Capitalism  

Economic historians who have studied the development of capitalism have identified merchant and industrial capitalism as two distinct stages in the growth of capitalism. There are significant differences between merchant and industrial capitalism in terms of essential economic structures. The main activity associated with merchant capitalism is the circulation of goods and services, whereas industrial capitalism is associated with the production of goods. In a mode of production dominated by merchant capital, profit comes mainly from speculation in time and space and extortion (i.e., the colonial  


system). Under industrial capitalism, on the other hand, surplus-value is generated by the exploitation of surplus-labour. Capital is any value which is increased by a surplus-value, and it is older than industrial capitalism (e.g., usury capital). But it is only in industrial capitalism that capital actually penetrates the sphere of production and produces surplus-value, i.e., as opposed simply to the redistribution of values. As Marx says:

Merchant's capital is simply capital functioning in the sphere of circulation. The process of circulation is a phase of the total process of reproduction. But no value is produced in the process of circulation, and, therefore, no surplus value.13

Merchant capital predominates in trade and banking. And as historians have demonstrated, it occupied a dominant position in Venice in the 13th century, in London and Paris in the 16th century, in Bristol and Liverpool in the 17th century, and in Boston, New York, Philadelphia, and Montreal in the 18th century. Even up until the mid-19th century, merchant capital dominated the business community of New York, and, as a recent writer has argued, it continued to dominate the economic structure of Canada up to the 1930s.14 Historically, merchant

12 Cf. Marx, Capital, Vol. III, ch. xx, p. 331: "Merchant's capital, when it holds a position of dominance, stands everywhere for a system of robbery, so that its development among trading nations of old and modern times is always directly connected with plundering, piracy, kidnapping slaves, and colonial conquest".

13 Ibid., p. 279.

capital penetrated manufacturing, but even here, it continued to func-
tion in the sphere of circulation. In domestic manufacturing, or the 
"putting-out" system, the merchant-manufacturer acted as an intermedia-
ry; he supplied the raw materials to the independent artisan who 
possessed his own means of production (i.e., the artisan was a pro-
ducer and not a wage-labourer). The merchant-manufacturer, who had 
the necessary liquid funds, took the product and sold it ("bought 
cheap and sold dear"). In other words, the main interest of the mer-
chant-manufacturer was in commerce, and not in production. Industrial 
capital, on the other hand, actually penetrates the sphere of produc-
tion, and separates the worker from the instruments of production; 
that is, the worker sells his labour-power for wages. Louis Hacker 
characterizes industrial manufacture in the following passage:

The private and concentrated ownership of the 
fixed capital--workshop, equipment, tools--the 
hiring of wage labor, gathered together in fac-
tories and working under discipline, and the divi-
sion of labor were its primary and unique attributes. 
In a secondary sense, it was distinguished by owner 
management, rationalization of production, the greater 
circulation of capital, the more intensive organiza-
tion of the market, and, later, the introduction of 
power. Such was the factory system that began to 
supplant the putting-out system in England in the 
middle of the eighteenth century and that became the 
distinguishing mark of industrial capitalism. 15

In other words, industrial capitalism is based on a particular type 
of organization and production; and, it is associated with the con-
centration of capital and the growth of large productive undertakings.

15 Louis Hacker, The Triumph of American Capitalism (New York, 
Industrial capitalism requires large capital investments, i.e., in machines and factories, and such investments are fixed and long-term. On the other hand, the capital of merchants is usually invested in land (speculation), ships, railways and canals (contracting), warehouses and banks. The main characteristic of the investments of merchants is that they are short-term; there is a rapid circulation of capital and the ratio of fixed to circulating capital is very low. At the economic level, the contradiction between merchant and industrial capital can be seen in terms of the mode of utilization of the economic surplus. The more capital utilized in the sphere of circulation the less capital will be available for productive enterprises. Mercantile operations restrict the creations of values by draining off large parts of the economic surplus into unproductive pursuits, and it is therefore a barrier to the development of industrial capitalism (i.e., it is a barrier when merchant capital predominates).  

To put this discussion in historical perspective, however, it must be remembered that in the economic development of England the growth of trade and commerce, and the concomitant growth of credit institutions, preceded the growth of industrial capitalism. Merchants (and the financiers who emerged to service the mercantile operations and the State) accumulated large amounts of capital which were necessary for industrial development. In the commercial towns the merchants formed an aristocracy of sorts, and, they gradually acquired

---

control of industry. But, though they secured supremacy over production, the main concern of merchant-manufacturers remained in the sphere of buying and selling. The industrial-capitalist continued to need both the banker and the merchant, as Paul Mantoux states, "one to give him credit and the other customers, while in return he provided the one with investments, and the other with goods. But he never merged his own individuality in theirs. He had his own special work, which was to organize industrial production, and his own special interests, to the aid of which he very soon learned to turn political power. With the factory system a new class, a new social type, came into being".  

words, the different economic structures of merchant and industrial capitalism result in different social classes with different economic and political interests.

(D) Mercantilism & British Expansion

In the mercantilist epoch, the expansion of the British Empire was largely the result of the activities of the merchant class. The Absolutist Monarchy aided the merchant capitalist in the early period of colonial expansion by exterminating the feudal nobles who blocked the export of wool; by protecting pirates and marauders such as Drake; and by chartering monopolies and joint-stock companies with exclusive privileges for overseas trade. For example: John Cabot was granted a royal patent by Henry VII in 1496 to "subdue, conquer and possess" foreign lands; in 1505 Henry VII gave a charter to the Company of Merchants; John Hawkins went on his first slave expedition in 1572; in 1585 Sir Walter Raleigh established Virginia; the East India Company was chartered in 1600; and the Hudson's Bay Company, a relative late-comer to the scene, obtained its charter in 1670. The combined capital of all of the chartered Companies in England amounted to 4 million pounds in 1695, by 1720 it had climbed to 50 million pounds. The sixteenth century was the era of the free booting and plundering "Merchant Adventurer"; the privileged trading companies who established the slave trade, trading stations and colonial settlement.

18 Drake's second voyage realized 600,000 pounds on an initial capital of 5,000 pounds; this later formed the basis of the East India Company.
The Absolutist Monarchy, though aiding the early merchant capitalists, eventually stood in the way of economic expansion. The Puritan Revolution, however, swept away the obstacles of commercial expansion and assured the growing predominance of the merchant capitalist class. This class developed a solidarity of interest with landed property as long as the latter class continued to buy the luxury goods imported by the merchants and to provide capital for his commercial adventures. In the commercial towns the merchants formed an aristocracy of sorts, and, they gradually acquired control of industry. But, though they secured supremacy over production, the main concern of merchant manufacturers remained in the sphere of buying and selling. The interests of the merchant capitalist were in trade and commerce, and they directed State power toward this objective. The Corn Laws, the Navigation Laws, and high tariffs were implemented to protect the merchant-manufacturers, to reserve the colonial trade to England, and thus, to ensure an adequate supply of raw materials for the entrepot trade, and to control the export of foodstuffs. National unification, protectionism, bullionism and colonial expansion were all policies designed to make money rather than to produce goods. This was the traditional mercantilism that Smith and Hume attacked so vigorously. Mercantilism, as a system of State power, stood for the complete control by public authority of economic activity; the exploitation of natural wealth and the exchange of goods in the entrepot trade were national policies.
In short, the Mercantile System was a system of State-regulated exploitation through trade which played a highly important role in the adolescence of capitalist industry: it was essentially the economic policy of an age of primitive accumulation.

With the turn of the 19th century in England, however, a new class was emerging: a class that was seeking State power in order to implement its own specific interests: the industrial capitalist. Industrial capital had an interest in lowering the cost of production and in removing the restrictions on the free flow of commodities, including labor. It was opposed to monopoly and protectionism: the two restrictions that raised the price of raw materials and agricultural products, and thus the cost of production. The ideology of industrial capital was free trade and \textit{laissez-faire}. With the maturing of industrial capitalism, the industrial fraction of the capitalist class was able, in alliance with merchant capital, to direct State power

---

19 Maurice Dobb, \textit{Studies in the Development of Capitalism}, p. 209. Cf. Marx, \textit{Capital}, Vol. I, ch. xxxi, pp. 823-824: "The discovery of gold and silver in America, the extirpation, enslavement and entombment in mines of the aboriginal population, the beginning of the conquest and looting of the East Indies, the turning of Africa into a warden for the commercial hunting of black-skins, signalized the rosy dawn of the era of capitalist production. These idyllic proceedings are the chief moments of primitive accumulation....The different moments of primitive accumulation....In England at the end of the 17th century, they arrive at a systematical combination, embracing the colonies, the national debt, the modern mode of taxation, and the protectionist system. These methods depend in part on brute force, eg., the colonial system. But they all employ the power of the State, the concentrated and organized force of society, to hasten, hothouse fashion, the process of transformation of the feudal mode of production into the capitalist mode, and to shorten the transition."
toward removing the various obstacles to industrial production. Robert Peel, in his budget of 1842, changed the tariff structure and the whole system of taxation, and in 1846 and 1849 the movement to free trade was completed with the repeal of the Corn Laws and the Navigation Laws. As Engels wrote:

Free Trade meant the readjustment of the whole home and foreign, commercial and financial policy of England in accordance with the interests of the manufacturing capitalists—the class that now represented the nation.20


With the advent of Free Trade the English economy expanded rapidly. In 1842 the value of British exports equalled 47,250,000 pounds; by 1870 they had climbed to 200 million pounds. Total imports between 1850 and 1870 increased from 100 million pounds to 300 million pounds. Britain exported more than just manufactured goods, however, she also exported men and capital. Between 1853 and 1880, 2,466,000 people migrated from the British Isles; in 1849, the year of the Californian Gold Rush, 300,000 left the ports of England alone. And by 1870, Britain had 800 million pounds invested abroad, nearly a 300 percent increase since 1850 (David Thomson, England in the Nineteenth Century, 1815 to 1914 (Penguin, 1950), pp. 83, 138, 164). But as Engels said: "The unparalleled expansion of British manufactures and commerce between 1848 and 1866 was no doubt due, to a great extent, to the removal of the protective duties on food and raw materials. But not entirely. The above years comprise the discovery and working of the Californian and Australian gold fields which increased so immensely the circulating medium of the world; they mark the final victory of steam over all other means of transport; on the ocean, steamers now superseded sailing vessels; on land, in all civilized countries, the railroad took the first place, the macadamized road the second; transport now became four times quicker and four times cheaper. No wonder that under such favourable circumstances British manufactures worked by steam should extend their sway at the expense of foreign domestic industries based upon manual labour" (Engels, "Protection and Free Trade", in Marx & Engels, On Colonialism, p. 269).
It must be noted, however, that the political and economic interests of merchant and industrial capital are by no means universal or fixed for all times. On the contrary, they depend on the relation of forces in the class struggle and on the concrete historical situation in which it occurs. While England could afford to pursue a policy of free trade and to espouse the myth of non-interference by government, the industrialists of America were forced to erect protective tariffs, during and after the Civil War, in order to protect her nascent industry. The period from the American Revolution to the 1840s was a period of extraordinary activity for American capitalism, but it was a period of merchant capitalism, not industrial capitalism. The initial opportunities of merchant capital were in the development of western lands (speculation), in the provisioning of the means of communications into the interior (transportation), in expanding the carrying trades, and in financing of speculative trading and manufacturing operations. Industrial capitalism only began to emerge in America after these investment opportunities began to be exhausted. The early 1840s marked the start of the rise of industrial capital, but it fell short of full development because it was not in control of State power. It became apparent by the late 1850s that the industrial fraction of the capitalist class would need power in order to fully mature. The Civil War in the United States can be interpreted as a struggle between two fractions of the bourgeoisie, each requiring control of State power to underwrite its own economic and social program.  

---

(E) Industrial Capitalism and Imperialism

As Britain's productive power grew, a new element was added to the ideology of industrial capitalism: Little Englandism.

This superior economic power, which found expression in the doctrines of laissez-faire and free trade, seemed so invincible to the new ruling class representatives of the British manufactures that conceptions began to gain currency during the middle nineteenth century which dismissed the whole colonial system as a superfluous extravagance and an obsolete relic.²²

An older interpretation of the mid-Victorian era had argued that the economic reasons for empire had been removed with the break-down of mercantilism and colonial preferences and with the success of free trade: the fiscal advantages of the empire were gone while the burdens of imperial defense remained. In the 1840s, for example, Britain was spending upwards of 4 million pounds a year for military establishments

²² Palme Dutt, The Crisis of Britain in the British Empire, pp. 73-74. Cf. E. J. Hobsbawm, Industry and Empire (New York, Random House, 1968), p. 196: "By the end of the Napoleonic Wars Britain's position was unassailable. As the only industrial power, she could undersell anyone else, and the less discrimination there was, the more she could undersell. As the only naval power in the world she controlled access to the non-European world, on which her prosperity rested. With one major exception (India) she did not, economically speaking, need even colonies, for the entire underdeveloped world was her colony, and would remain so if, under Free Trade, they bought in the cheapest market and sold in the dearest, which meant, if they bought and sold in the only big market there was, Britain. This, at all events, is how matters looked to men who readily confused the historic accident of Britain's early industrial start with the fortunate dispensation of a providence that had, apparently, fitted the British to be the workshop of the world and the rest to produce cotton, timber or tea."
and expenses alone, whereas by 1850, she was conducting more trade with the United States than all of her colonies combined and at only 15,000 pounds a year for consular services. Thus, according to this view, the mid-Victorians no longer saw the need for maintaining the imperial links and they became intent on dismembering the financial burdens of empire.

This argument, however, misinterprets the nature and character of imperialism. With the development of industrial capitalism, the old conception of empire, based largely on the alleged advantages of controlling imperial trade, was replaced by a new one based on an international division of labour, with Britain exchanging manufactured and capital goods, financed by British loans and investments, for foodstuffs and raw materials. Imperialism remained a basic feature of industrial capitalism. As A. G. L. Shaw said:

It seems doubtful if there was any period of anti-imperialism in nineteenth-century England. There was always anti-imperialist writers, but at no period did they represent the mood of the very powerful political groups.

The Colonial Reformers and the members of the so-called Manchester School advocated the repeal of the Corn Laws, not because of anti-imperialists sentiments, but because they wanted to ensure England an "informal" trade empire. The repeal of the Corn Laws were necessary


to further the division of labor between North America and England and to make Britain the "workshop of the world". The system of informal empire would extend the field of employment of capital, and both English capitalists and workers would prosper as a result. Britain wanted free access to markets and new fields for investment of surplus capital; her technological superiority and her immense productive capacity made the imposition of mercantilist restrictions redundant.

But though there was freer trade after 1815, the Colonial Reformers by the 1830s were not anti-colonial. Britain also needed a formal empire for market and investment conditions of "special safety". Colonies were more desirable, as Brougham said, "than the territories of hostile and rival neighbours". In them "speculations can...be undertaken with greater safety and capital invested in a colonial trade with much less danger". Colonization was seen as desirable and necessary as valuable markets and as outlets for surplus capital and population. The opposition to colonization had initially come from those capitalists who desired to maintain an abundant supply of cheap labor, but as Edward Gibbon Wakefield argued, for example, low wages and over-population would lead to discontent and revolution, and thus, the insecurity of property. Colonization would provide relief

25 cited in ibid., p. 7.
from excessive population and relieve the mounting social pressures. Colonies would also provide a remedy for the "glut of capital" at home. Competition amongst capitalists had decreased the rate of profit and caused crisis, business failure and class conflict. The solution to this problem was an expansion of the "field of production" by establishing trade empires and colonies. The export of capital would open new territories, reduce the costs of producing food, improve the British terms of trade, raise the rate of profit at home, and therefore, increase domestic investment beyond the former level. The result would be to render the English working class "comfortable, satisfied, and wise, at least, as the working class in America."

26 The class struggle was looming large "in a country situated like England, in which the ruling and the subject orders are no longer separated by a middle class, and in which the subject order, composing the bulk of the people, are in a state of gloomy discontent arising from excessive numbers; for such a country, one chief end of colonization is to prevent tumults, to keep the peace, to maintain order, to uphold confidence in the security of property, to hinder interruptions of the regular course of industry and trade, to avert the terrible evils, which, in a country like England, could not but follow any serious political convulsion". Wakefield, *England and America* (New York, 1834), II, p. 105, also cited in H.O. Pappe, "Wakefield and Marx", in Shaw (ed.), *Britain and the Colonies*, p. 204.

27 Cited in B. Sammel, "The Philosophical Radicals & Colonialism", in Shaw (ed.), *Britain and the Colonies*, p. 81.
(F) Conclusion

In the 17th and 18th centuries the Imperial government controlled the colonies by a variety of methods: by enacting Navigation Laws; by prohibiting the manufactures of the colonies from entering intercolonial or foreign trade; by managing the colony's money supply; and by establishing effective administrative institutions and agencies to enforce the restraints (e.g., Privy Council, Board of Trade, Colonial Secretary, Commissioners of Customs, Treasury, Admiralty, Royal Governors). The significance of these restraints and controls was not in creating political and constitutional ties between the colony and mother country, but in binding the colony to England within the imperial-colonial nexus. The chief purpose for establishing colonies in the early mercantilist era was to offset the hazards of trade and to preserve and maintain monopoly control. British colonization in the 19th century, however, was more concerned with opening up the possibilities of trade and investment than with maintaining an artificially closed and monopolistically controlled trading system. In the earlier period, colonialism was defensive in nature, whereas in the 19th century, especially after 1870, it was much more aggressive in character, with the state actively searching out trade and investment opportunities.

British policy on the Northwest Pacific Coast dispels the "classical view" that argues that the middle decades of the 19th century was a period of "indifference" toward empire. The British government was far from being indifferent; the establishment of the Colony of Vancouver Island in 1849 and later, the Colony of British Columbia—like the annexation of the Punjab or the occupation of Hong Kong—reveals the continuity of British imperial policy. The essential difference
between mercantilism and 19th century imperialism, however, was that under mercantilism colonial conquest was the only method of controlling the lively entrepot trade, a trade that involved the exchange of goods for goods, whereas in the 19th century, Britain was able to exercise control because of her advanced industrial capacity and through the techniques of capital and commercial penetration. Britain was the "workshop of the world", and British shipping, protected by the Navy, dominated world trade. As R. Palme Dutt wrote: "The old colonial monopoly developed into world industrial monopoly". The massive growth of British industry placed new demands on British policy. It was no longer a matter of controlling the exchange of surface staple products; the strategy involved converting underdeveloped regions into complementary hinterland economies; satellite regions that would provide raw materials and food for Great Britain, while at the same time providing widening markets for her manufactures and surplus capital.

28 Dutt, The Crisis of Britain and the British Empire, p. 72.
THE FUR TRADE AND BRITISH EXPANSION: 1785-1858

(A) Introduction

The fur trade was responsible for extending British authority across the North American continent. As J. S. Galbraith wrote:

The Hudson's Bay Company and the North West companies, by their explorations and trading posts, had laid the basis for British claims to the northwest coast. The amalgamated Company had been the primary pressure group influencing the Foreign Office in its negotiations with other states. Its knowledge of the land was indispensable to the prosecution of the British case in the boundary dispute. British Columbia became British rather than American or Russian largely because of the work of a small number of fur traders and of the capitalists they represented. Pursuit of profits thus resulted in the expansion of British political authority into northwest America.

But, while it is true that the fur trade was responsible for the expansion of British political authority into the Pacific Northwest, it must be remembered that it occurred within the framework of expanding capitalism in the 19th century, and that the process was that of economic imperialism. The process of economic imperialism, however,

1 John S. Galbraith, Hudson’s Bay Company as an Imperial Factor, 1821-1869 (Berkley & Los Angeles, University of California Press, 1957), p. 174 (my emphasis). Cf. Harold Innis, The Fur Trade in Canada (Toronto, University of Toronto Press, 1970 (1930), p. 392: "The Northwest Company and its successor the Hudson's Bay Company established a centralized organization which covered the northern half of North America from the Atlantic to the Pacific. The importance of this organization was recognized in boundary disputes, and it played a large role in the numerous negotiations responsible for the location of the present boundaries. It is no mere accident that the present Dominion coincides roughly with the fur-trading areas of northern North America".)
cannot be viewed as a simple, unique contradiction; relations of dependence have always existed on the margins of capitalism. In order to adequately understand the nature and character of British imperialism, in the Pacific Northwest, it must be related to the development of concrete modes of production in Britain and Canada. The instruments of imperialism and the character of the economic development of the hinterland region changed as the economic structure of the metropole changed.

In the early 19th century, the Northwest Pacific Coast was a marginal region of interest to Great Britain; it was remote and there was no great metropolitan demand for resources other than fur. Britain was nevertheless willing to use whatever means necessary to establish the security of trade, to check American growth, and to maintain the strategic interests of the empire. Until the late 1850s the Hudson's Bay Company acted as the instrument of British imperial policy; it was the informal instrument of imperial expansion, maintaining British paramountcy and integrating the region into Britain's own expanding economy by means of the mercantilist technique of monopoly. The Hudson's Bay Company opened the door to future trade and investment and preserved the strategic interests of the empire without the British government resorting to formal annexation or outright political possession. British commercial penetration followed the policy of "trade with informal control if possible, trade with rule if necessary".  

---

The massive expansion of industry in Britain after 1815, and the nascent development of industrial capitalism in the United States, however, had the effect of altering the character of economic development in Canada and in transforming the relation of forces in the Pacific Northwest. In Canada, the breakdown of the low tariff British mercantile system and the growing protectionism of the United States resulted in the formative development of a great unified commercial system within the context of British imperialism. The Canadian ruling class, in alliance with English financial capital, turned its attention toward continental consolidation and expansion.

On the Pacific Coast, it was becoming apparent by the 1840s that a monopoly trading organization, with its emphasis on defensive expansionism, was no longer able to maintain and preserve British paramountcy in the face of the aggressive expansionism of the United States based on industrialization, internal free trade and settlement. In order to check American growth and to preserve and maintain her strategic interests, Britain engaged in a formal project of colonization. In 1849 the Colony of Vancouver Island was granted to the Hudson's Bay Company: the mercantilist technique of informal empire gave way to indirect colonial rule.

In 1858, however, the period of Hudson's Bay Company colonial rule came to an end. In England free trade theories were beginning to supplant mercantilist ones. The Hudson's Bay Company was a "throw-back" to the mercantilist era, an era of merchant capitalism, and with the development of industrial capitalism in Britain a new dimension in the character of trade and expansion, and a new dimension in the character
of imperialism was emerging. The free trade, anti-monopoly sentiment in England had been steadily growing throughout the preceding decade and it finally culminated in the parliamentary hearings on the Hudson's Bay Company in 1857. The new alignment of classes, as reflected in the House of Commons, and the discovery of gold on the Fraser River in 1858 combined to cease the outright domination of the Colony by the Hudson's Bay Company. Between 1858 and 1871, British Columbia was directly administered by the Crown.

In sum then, the British government utilized a variety of techniques to establish and maintain paramountcy in the Pacific Northwest: these ranged from the mercantilist techniques of granting an imperial licence of exclusive trade to the Hudson's Bay Company, to the consistent use of the Royal Navy, to both direct and indirect colonial administration, and on the American Pacific seaboard, as we will see later, to the use of the techniques of free trade and capital penetration. But regardless of the form, the essential thread running throughout the entire history of the North Pacific, from the days of the early maritime fur trade to British Columbia's entry into Confederation in 1871, remained constant: commercial penetration, economic dependence and the absorption of the regions economic surplus by the metropole. In other words, Britain was remarkably consistent in attempting to integrate the region into her own expanding economy.
The history of the Pacific Northwest was dominated by rival imperial powers attempting to integrate the region into their own expanding economies. The nationalist rivalry of the eighteenth century between Spain, Russia, Britain and the United States was a rivalry based on the quest for favourable trade positions and not initially on territory. They all sought to dominate the economic affairs of the region by monopolizing the coastal ports, and thus the inland trade. "The early rivalries in the North Pacific", as Easterbrook and Aitkin wrote, "were part of a world-wide struggle for control of trade routes and strategic resources". The emphasis was on trade positions rather than territorial expansion. The search for the Northwest Passage and later for an overland route to the Pacific Ocean was at the direction of metropolitan centers on the eastern seaboard and in England. As Herman J. Deutsch pointed out, the early maritime history of the Pacific Northwest did not follow the sequence of development as put forth by F. J. Turner in his "frontier thesis": the fur trader followed by the pioneer, with the settler finally leading the way for the capitalist. Turner saw the growth of the United States as essentially an expansionist process, and not one of political or economic imperialism.

---


While this was the usual sequence, it ignored the fact that the fur trader himself was a capitalist or his employee, extracting surplus-value from the labor of the native population in the production of staples, or as a merchant, amassing a fortune through the circulation of goods. The merchant-traders who entered the region seldom encouraged settlement, nor did they settle in the area after reaping their profits.\(^6\) Deutsch wrote:

Since there is little or no evidence that white men coming to the Pacific Northwest between 1785 and 1805 intended to identify themselves with the area, whereas they did secure complete domination over its economic affairs, the most appropriate description of the process seems to be economic imperialism.\(^7\)

The merchant-traders made vast profits, and the capital surpluses that were generated seldom remained in the local area, where it could be re-invested, but was siphoned off to the major metropolitan centers of

\(^6\) "None of these maritime traders attempted to make a settlement on our coast; not one of them erected a permanent habitation" (F. W. Howay, "The Fur Trade in Northwestern Development", in H. Morse Stephens & Herbert E. Bolton (eds.), The Pacific Ocean in History (New York, MacMillan Co., 1917), p. 277).

\(^7\) Deutsch, "Economic Imperialism", op. cit., p. 378, (my emphasis).
Boston, London and Montreal. The Pacific Northwest was a hinterland region, exploited in the literal sense of the word. The history of the maritime fur trade in the North Pacific was, as F. W. Howay said, "essentially a hurred looting of the coast".

---

8 Captain William Sturgis, an American trader operating out of Boston, wrote: "These fortunes were not acquired, as individual wealth not infrequently is, at the expense of our own community, by a tax upon the whole body of consumers, in the form of enhanced prices, often from adventitious cause. They were obtained by giving the Indians articles which they valued more than their own furs, and then selling those furs to the Chinese for such prices as they were willing to pay; thus adding to the wealth of the country, at the expense of foreigners, all that was acquired by individuals beyond the return for the use of capital, and suitable compensation for the services of those employed. This excess was sometimes very large" (cited in ibid., pp. 387-88).

Hubert H. Bancroft also commented on the exploitive nature of the region's development: "...the fate of by far the largest portions of North America has been at first to draw in a population coveting only immediate wealth, people from all quarters of the globe, intent on securing gold, or furs, or encomiendas, for their quick enrichment, then to depart and enjoy their wealth elsewhere, caring nothing for the country or as to what should have become of it thereafter" (Bancroft, Chronicler of the Builders of the Commonwealth (San Francisco, 1891-92), I, p. 586, cited in ibid., p. 388).

The maritime fur trade was primarily devoted to collecting the skins of sea-otter, but it also included the furs of other animals that inhabited the coast, such as fur seal, beaver and martin. The original design of the trade was to collect the furs from the Northwest Coast and to travel to the Sandwich Islands, where they would be exchanged for sandalwood and other products, and then to China, where the furs could command a handsome price or be exchanged for tea, nankens and silks.

As early as the 1740s, independent Russian merchants and adventurers had sold sea-otter, taken from ventures along the Aleutian chain of Islands, in the Russian-Chinese market. There was a ready market in Europe and China for sea-otter, but it was not until toward the close of the century that the Russian traders, under more permanent conditions and under government sponsorship, made a significant inroad into the fur trade, both on the coast and in the interior. And even here, the Russians ultimately could not sustain their ambitions for an empire in the North Pacific against the rival pressures of Britain and the United States.

Captain Cook, during his visit to the Northwest Coast in 1778, clearly recognized the commercial potential of the region. His crew members took aboard sea-otter and they were later sold in Canton for a good profit. The publication of Cook's experiences on the Coast drew the attention and ambitions of English merchants. By the late 1780s they were actively engaged in the fur trade and enjoyed a monopoly for several years. There were enormous profits to be made: for example, Captain Hanna, who arrived at Nootka in 1785, received over
5,000 pounds for sea-otter bartered from the natives, and Captains Dixon and Portlock netted 11,000 pounds for their company in 1787. The English merchants, however, were hampered by the monopolies of the South Seas Company and the East India Company, and the trade fell progressively into the hands of the more aggressive Boston merchants, who were not restricted by monopoly. The free-ranging Boston "Clipper" ships would carry the manufactured goods of Europe or the United States around the Cape Horn, and exchange these for the Pacific Coast furs, and trade these in turn for Chinese and Indian products, which they would carry back to the New England ports.

The maritime fur trade only lasted about twenty-five or thirty years. One reason for this was the rapid depletion of sea-otter in the northern waters.

The maritime trade was a very destructive one. When it opened the sea-otter were very plentiful. Between the years, say, 1785 to 1800 it was not uncommon for a vessel to collect in the short season of three or four months...from 1,000 to 1,500 or even 1,800 sea-otter skins. Within thirty years the sea-otter had become, for all practical purposes, an extinct animal.

The "predatory character" of the maritime fur trade did not lead to permanent settlement, and at best it constituted an unequal exchange with a primitive people. The skin of the ermine, for example, could


11 F. W. Howay, "Discovery of the Northwest Coast", *The Canadian Historical Association, Annual Report, 1926*, p. 94.

be picked up by a trader on the Atlantic coast and exchanged for sea-otter for close to a 3,000 percent profit; other traders would exchange large quantities of the cheap Chinese copper money or large quantities of thimbles in order to strike an equally good bargain.  

The depletion of sea-otter seriously dislocated the balanced economic and social fabric of the Indians, and the harsh and poor treatment of the Indians led on several occasions to open hostility and violence. In 1803 the crew of the ship Boston were massacred in Nootka Sound, and in 1810 the crew of the Tonquin met a similar fate.

Another reason for the decline of the maritime fur trade was the growing dominance of the continental or land fur trade. The XY Company and the Northwest Company, based in Montreal, and the Hudson's Bay Company, centered in London, were effectively cutting communications and trade routes into the Pacific region. The Northwest Company and the XY Company were the leaders in the transcontinental expansion of the fur trade. The effects of the expansion of the trade across the continent to the Pacific, however, led to sharply increased costs. Much more capital was required to carry on the trade over long distances, and the slower turnover of the trade meant increased interest charges. The high overhead expenses required to tap the lucrative trade led to severe competition, and, in 1804 the Northwest

13 Howay, "Discovery of the Northwest Coast", op. cit., pp. 93-94. Cf. Marx, Capital, Vol. III, ch. xx, p. 330: "So long as merchant's capital promotes the exchange of products between underdeveloped societies, commercial profit not only appears as out bargaining and cheating, but also largely originates from them".

14 see Henry J. Boam, British Columbia, pp. 29-30.
Company absorbed the XY Company.

With the heavy capital investment necessary to carry on the trade involving long voyages and with the prosecution of the trade in restricted areas competition was impossible and monopoly control inevitable. Acquisition of this control by the Northwest Company was undoubtedly obtained through its centralized organization, its efficient and energetic personnel, and its characteristic effectiveness in dealing with the home government.15

In the United States, John Jacob Astor and his American Fur Company marked the transition between the maritime fur trade and the land fur trade. Astor's grand design was to unite the east and west in a great commercial system. He established a fort at Astoria, on the Columbia River, but the War of 1812 disrupted his plans. In 1813 Astor sold the fort and his Pacific Fur Company to the Northwest Company. The Royal Navy's presence off the coast underlied Astor's decision to sell. By the early 1830s, Astor began to move his vast fortunes into the urban real estate business in New York.16

The failure of John Astor to make good the occupation of the Columbia River region led to the 1818 agreement between the United States and Britain. The Northwest Company was the effective occupier of the area and some Anglo-American compromise was necessary. The 1818 agreement established the border between the United States and


British North America at the 49th degree parallel, but from the Rockies to the Pacific the border was to be left undecided and both countries were to have free access to the region. The joint occupation of the "Oregon Country" was to last ten years, but the agreement was renewed in 1828 indicating that neither country was as yet in a position to enforce their territorial claim.

Even after the Northwest Company acquired a dominant position in the Northwest Pacific fur trade the problem of heavy transportation costs west of the Rockies remained. The shipment of furs from the Pacific region to Montreal was very expensive. The solution to the problem was the shipment of supplies from England by sea around the Cape Horn to the mouth of the Columbia River, from where they could be transported to the various posts in the interior. Furs assembled on the coast would be shipped to Canton and exchanged for tea and Chinese products, these products would then be brought to England. The monopoly of the East India Company, however, made direct trade between the Northwest Pacific coast and China very difficult. To overcome this problem the Northwest Company made an arrangement in 1815 with a Boston Trading House, and from about 1816 to 1820, the trade in the North Pacific was firmly in the hands of the Americans. The Hudson's Bay Company was later able to develop more satisfactory maritime connections, but these connections were mainly with England.

During the War of 1812, the British blockade of American ports greatly reduced the number of visits to the Northwest Coast by the merchant-traders of New England. After the War, however, they returned in full force and engaged in a lively commerce in the ports of
South America, California, the Dutch East Indies, and Russian America. The shipping and trading interest of New England were firmly established in the Canton trade, and the Northwest Company, unable to form any direct connections of their own, took advantage of their position. The importance of New England's trade and commerce in the North Pacific, however, began to decline rapidly by the late 1820s and 1830s. I have already mentioned one reason for this: the rapid disappearance of the sea-otter on the Northwest Coast. Another reason of equal significance was the increasing shift for the leadership in continental expansion from Boston to New York. The influence toward maritime expansion was weakened in New England, as it was in the rest of the nation, with the growing interest in internal, continental expansion.  

The merchants of New York (and of Philadelphia) continued to trade in a similar fashion to that of the Boston merchants, but, assisted by English merchant-bankers, their focus of attention shifted to the Caribbean and Europe. The vast profits accumulated by the New England merchants from the trade with the Pacific Northwest contributed to the foundation of New England's later industrialism and


18 Easterbrook & Aitken, *Canadian Economic History*, p. 221.

to the capital requirements of internal development. Most of the merchant-capitalists of New England continued as merchants, but at the same time they engaged in private banking and in the promoting and financing of canal companies, railroads and insurance companies. Their capital surpluses financed cotton and woollen mills, the purchase of large tracts of land in the Southwest and Northwest and in the financing of railroad construction in Illinois and Michigan.

The merchant-capitalists of the Atlantic seaboard continued their lucrative maritime operations, but during the 1820s and 1830s the pace of maritime expansion slowed as they channelled their profits into the financing and promotion of continental expansion. The American influence in the North Pacific continued to grow, and by the 1840s and 1850s maritime expansion became an integral part of their design to make the United States the center of a great world-wide commercial system. But in terms of the fur trade in the Pacific Northwest, the involvement of New England came to an end with the success of the Hudson's Bay Company in establishing a monopoly throughout the region.

(C) The Continental Fur Trade

The Hudson's Bay Company was, as Easterbrook and Aitken described it, "a throw-back to an earlier era...an era when all of England's overseas commerce had been organized under great companies with exclusive privileges granted to them by the Crown". In 1670


21 Easterbrook & Aitken, Canadian Economic History; p. 82.
Charles II granted the Hudson's Bay Company an exclusive and perpetual monopoly of trade and commerce in the area roughly corresponding to the drainage basin of the Hudson's Bay. The company was organized by a group of British merchants and supported by the aristocracy, and throughout its history, it was tightly controlled from London. The rigid organization and the centralized control of the Hudson's Bay Company, unlike the Northwest Company, which operated within a much more flexible structure, partially accounted for the slower pace of expansion across the continent. As the furs throughout the whole Northwest declined, however, the company re-organized its personnel policy. The initial geographic advantage of the Hudson's Bay Company, and the Northwest Company's inability to adapt its expanding organization to permanent conditions, and the consequent demand for new territory as fur supplies declined, resulted in severe competition between the two fur trading organizations. The Northwest Company was geared to expanding trade, and as expansion halted, declining profits and rising costs weakened the organization. In 1821 the two companies amalgamated.

The competition between the two fur-trading companies was also the competition between the St. Lawrence and the Hudson's Bay; between indigenous capital and foreign capital and control. The fur trade of the Northwest Company was very important to the financial position of the government of Quebec: between 1783 and 1801, for instance, the average duty on furs from Quebec equalled 20,000 pounds, and the goods exported for the trade amounted to 40,000 pounds.
annually. \(^{22}\) All of this came to an end in 1821.

Absorption by the Hudson's Bay Company in 1821 meant the end of Canada's first trans-continental economic system. Competition from the north disrupted the east-west lines of trade which had been extended from Montreal to the Pacific and control over the fur trade came to be concentrated in an organization with headquarters in London. For the next half-century the economic development of the St. Lawrence Lowlands on the one hand and of the western prairies and the Pacific slope on the other followed almost completely independent courses. \(^{23}\)

The coalition of the two great fur trading companies was both a victory for monopoly and a victory for English capital. The most important immediate result of the coalition was the confirmation by the British Government of the Hudson's Bay Company's Royal Charter and its exclusive rights to trade within Rubert's Land. The Company, however, received much more than this. Unlike the Northwest Company which had presented a memorial to the British government in 1812 "for an exclusive charter for the Northwest Company", \(^{24}\) the Hudson's Bay Company, by an Act of Parliament, was granted for an initial period of 21 years (which was later extended) the exclusive privilege of trading with the Indians over the rest of British North America, excluding the existing colonies.

\(^{22}\) Innis, *The Fur Trade in Canada*, p. 178.


\(^{24}\) Ibid., p. 205.
Despite its monopoly position and centralized control, the Hudson's Bay Company continued to face the familiar problem of high costs of transportation and unbalanced cargoes. The Company attempted to reach an agreement with the East India Company, but the negotiations failed, and it followed for a few years the Northwest Company's practice of consigning furs to a Boston mercantile firm with an agency in Canton. Even this limited trade with China, however, increased by the end of the 1830s. The Company did attempt to develop local sources of supplies and to diversify its export trade. The development of agriculture was more successful and in 1839 the nominally independent Puget's Sound Agricultural Company was established. The Company developed an export trade in salmon and timber with the Sandwich Islands and Southern California. For example, in 1830, Fort Langley prepared 220 barrels of salmon for export and in 1831, 300 barrels were prepared. But overall, the Company remained firmly tied to England. The trans-Pacific trade with Canton was not established, and the Californian and Hawaiian trade, though important in laying the foundations for later investment by English and Canadian capitalists, was not greatly expanded. The failure of the Hudson's Bay Company to develop the North Pacific trade and a diversified export base greatly weakened its position on the Pacific Slope. The Company remained continentalist in outlook; it was not until the 1850s and 1860s that British and Canadian financial capital began to seriously entertain the thought of developing Canada, through railway building,

25 Ibid., p. 308.
into the center of a great imperial trading system that ran from Europe to the Far East.

(D) "Imperialism of Monopoly"

The Hudson's Bay Company was a product of the mercantilist age. It was a monopoly trading organization designed to minimize physical and commercial risks and to maximize profit. But in its quest for profit it also served the interests of the British Empire by expanding trade and by adding to the wealth of the nation. The British State supported the Company's exclusive trading privileges, and the fur trade, following its own material self-interest, provided the drive and initiative for the extension of British authority across the North American continent. The Hudson's Bay Company acted as the instrument of territorial control and expansion, and the Royal Navy, on the Pacific Coast, provided the necessary protection to maintain the commercial and strategic interests of the British Empire. As Barry Gough has demonstrated, the display of Naval power during the Nootka Dispute of 1790 "marked merely the beginning of the Royal Navy's role in protecting British commercial, political and eventually strategic interests". 26

In the development of British interests on the Northwest Coast, the Royal Navy played a paramount role that has often been neglected by historians. Beginning with the War of 1812 and for more than a century thereafter, successive British governments were remarkably consistent in pursuing policies designed to protect British commercial interests and territorial claims in what is now the Canadian province of British Columbia.27


27 Ibid., p. 2.
The close relationship between the Hudson's Bay Company and the British government was a characteristic feature throughout the Company's history. This close relationship was evident in the Company's ability to maintain its monopoly position by securing the exclusive licence of trade west of Rupert's Land in 1821 and its extension in 1838; in the arrangements for leasing the Russian territory in 1839; in obtaining the grant of Vancouver Island in 1849, despite spirited opposition; in the investigation of 1857; and in the many boundary disputes in the Oregon territory. The Hudson's Bay Company and the British government maintained close communications, principally through the agency of Edward Ellice, who was both a member of the Company's London Committee and a member of the British Parliament, and up until the late 1850s, the Company played an active role as the instrument of British imperial policy. The Hudson's Bay Company found no difficulty in combining material self-interest and patriotism.

The Northwest Company, and after 1821, the Hudson's Bay Company dominated the whole of the Pacific Northwest until the 1840s, and in so doing, the Company demonstrated the "imperialism of monopoly". The Company was aware of the growing opposition to its monopoly position; it was aware of the antagonism of Parliament. In order to alleviate some of the criticism, the Hudson's Bay Company was anxious to co-operate with the British government in extending trade through a policy of expansion and to show its enthusiasm for securing the Northwest Domain for the home government. The Company's interest in

---

maintaining British sovereignty in the Northwest did not spring solely from a sense of patriotism. Reports forwarded to the London Committee in 1821 indicated that the unprofitability of the Columbia region was due to extravagance, low morale and inefficient trading methods, and not because of a lack of fur resources. Governor Simpson did not recommend that the Company evacuate the region, but argued that while the region would not produce great profits, the Columbia region could serve to protect the more profitable trade to the north by checking the opposition of American traders. The strategy of the Hudson's Bay Company was one of defensive expansion. As Barry Gough wrote:

In the case of the Hudson's Bay Company in the Snake Country (eastern Oregon, southern Idaho, northern Nevada, northwestern Utah) we find that the Company employed whatever methods were suitable and necessary to establish and maintain paramountcy, and it did so in an area nominally authorized as a place of exclusive trade by virtue of the 1821 government licence which gave it a monopoly of the Indian trade west of Rupert's Land.29

These methods ranged from a policy of "trapping clean" or "scorched stream" to building forts and prohibiting the sale of snowshoes and supplies to American traders and settlers. The strategy was designed to keep Americans at a distance from Fort Vancouver and the Columbia and to check the growth of American trade and settlement in the region.

The aggressiveness of the Hudson's Bay Company was largely responsible for checking American commercial penetration in the Northwest and in turning American expansion in the direction of California and Mexico. But the aggressiveness that the Company displayed was

29 Ibid., p. 71.
that of the conventional technique of fur trade competition. Such a method, while curtailing American fur trading activities, proved to be inappropriate as a method for preventing American settlement in the 1830s and 1840s. In 1831-32, Nathaniel Wyeth, the founder of the Oregon Colonization Society arrived at Fort Vancouver with 11 settlers, and in 1834, he returned with 24 men, representing the Columbia River Fishing and Trading Company. The influx of settlers was small in comparison to what was to occur during the "Oregon Fever" of the 1840s, but it was sufficient to demonstrate the American interest in the Columbia region. The Hudson's Bay Company met this situation with attempting to checkmate American expansion by a method novel to a fur trading organization: colonization.

In 1839 the Hudson's Bay Company established the Puget's Sound Agricultural Company, a nominally independent company that was in fact a satellite enterprise. The agents of the Puget's Sound Company were Pelly, Colvile and Simpson, and the ownership of stock was confined to Hudson's Bay Company officials and stockholders. The Puget's Sound Agricultural Company was to serve both an economic and a political purpose. Economically, it was set up to off-set unbalanced cargoes and to provide agricultural supplies to the fur-trading posts and to fulfil an agreement with the Russians; politically, it was hoped that the Company "would provide the necessary reinforcement to

---


31 see, Galbraith, The Hudson's Bay Company as an Imperial Factor, pp. 192-217.
other British claims to win the boundary of the Columbia River". 32

The licence of exclusive trade was not due to expire until 1842, but the Hudson's Bay Company decided to seek renewal in 1837. A government that was friendly to the interests of the Company was in power, and, being aware of the mounting opposition to the monopoly organization, the Company ventured to ask for renewal early. To justify the request, Pelly used the familiar argument that the Company, as a monopoly, protected the Indians, provided moral and religious instruction, suppressed the trade in spirits, and generally, maintained peace. But Pelly added a new point: that the Company intended to extend its agricultural operations around Fort Vancouver, to diversify its export trades and to encourage settlement so that, as Pelly said, "British interest and British influence may be maintained as paramount in this interesting part of the Coast of the Pacific". 33

Despite the Hudson's Bay Company's attempt at diversification and its interest in the development of agriculture and colonization, the Company remained predominately a fur trading organization. The profits were derived from the fur trade and that is where its interests lay. Referring to the Willamette colony, James Douglas wrote in 1838:

The interests of the Colony and Fur Trade will never harmonize, the farmer can flourish only, through the protection of equal laws, the influence of free trade, the accession of respectable inhabitants, in short by establishing a new order of things, which the fur trade must suffer by each innovation. 34

32 Ibid., p. 200.
33 cited in Ibid., p. 196.
The Company had no intention of "establishing a new order of things". The Oregon territory was to act as a defensive bulwark for the more profitable northern fur trade, not as a fertile field for settlement. Free settlement was hostile to the interests of the fur trade and the Company was guided by this fact: the supply of settlers was controlled by the Company, and the settlers (actually servants) were to remain subject to its control. As John Galbraith wrote:

Beyond its abortive effort to send colonists from Red River, the Company (Puget's Sound Agricultural Company) did not promote settlement in Oregon; on the contrary, it discouraged immigration, whether British or American. The Puget's Sound Agricultural Company, organized avowedly to promote a political as well as an economic purpose, soon was confined to the latter. A few Englishmen and Scots were sent to Oregon on Company ships to serve as farmers or shepherds, but they came as servants of the Company, not as free settlers.35

The Hudson's Bay Company's defensive measures were unable to prevent the expansion of American settlement in the Columbia region. By 1843 Americans far out-numbered both the Canadians and the British, and in 1845 over 3000 American settlers poured into Oregon.36 The development of American capitalism was driving the United States to the Pacific Ocean, and they were not about to tolerate British claims. American capitalists had their own vision of a mercantile empire based on Asian commerce. During the Oregon Crisis, William Gilpin advised Congressmen, that the American acquisition of Oregon would make the mouth of the Columbia River an outlet for the export of American farm produce to Asia, "an infinite market of consumption".

35 Ibid., p. 216.

Oregon would become the "maritime wing of the Mississippi Valley upon the Pacific, as New England was in the Atlantic". President Polk, in his presidential campaign of 1844, demanded all of the territory north to the 54 40 degree latitude. British Naval power, however, and the fact that the Hudson's Bay Company was the effective occupier of New Caledonia eventually led to the agreement in 1846 that extended the international boundary along the 49th degree parallel from the Rockies to the Pacific. As Stanley Ryerson argued:


38 For a discussion of the role of the Royal Navy in the Oregon Crisis, see Gough, The Royal Navy and the Northwest Coast, pp. 50-83. "The Royal Navy played a dual role throughout the Oregon crisis. In the first place, ships on the Northwest Coast acted in various capacities—upholding the interests of the Hudson's Bay Company, maintaining law and order, and acting as deterrents to any possible American filibuster....In the second aspect of its dual role, the very fact of the Royal Navy's predominance in the world...proved instrumental in keeping the peace. There is little reason to doubt that the Oregon compromise...saved the United States from a repetition of disasters' characteristic of the War of 1812. The overall fact of British supremacy at sea, the operations of British war-ships at points of stress such as Oregon, and artful British diplomacy in European and American affairs enabled Great Britain to accomplish its objectives— to protect colonial territories of her worldwide empire and to provide security for the homeland and for growing seaborne trade. As a result of this strength Polk's 'bluster' proved to be exactly that" (p. 83).
The Oregon dispute was resolved by a compromise: British concern over markets for their manufactures in the United States, and the large loans accorded to American capitalists, had a restraining effect; while United States expansionist's involvement in war with Mexico (May 1846) and their seizure of over a third of its territory led them to concentrate their attention in the Southwest.39

After the loss of Oregon, the Hudson's Bay Company desired to consolidate their empire north of the international border. The Royal Grant of Vancouver Island received by the Company in 1849 served their interests in this regard. By controlling settlement and colonization, the Company hoped to develop Vancouver Island as a protective barrier for the northern fur trade.41 George Simpson himself


40 On January 13, 1849 Vancouver Island was ceded to the Hudson's Bay Company for an annual rent of seven shillings. In return the Company was to bring out colonists and sell land at a fair price; the proceeds from the sale of land were to be used (less 10% for the Company) to promote and improve the Colony. If no Colony was established after 5 years, the British government had the right to resume control. For the terms of the Grant see, Scholefield & Howay, British Columbia From the Earliest Times to the Present (Vancouver, 1914), I, pp. 676-680; Sage, Sir James Douglas and B.C., pp. 158-59.

41 For the motives of the Hudson's Bay Company see, John S. Galbraith, Hudson's Bay Company as an Imperial Factor, pp. 284-92.
admitted that "it will unquestionably be more advantageous to the fur trade that it (Vancouver Island) should be in the hands of the Company".\(^{42}\) The granting of the island to the Hudson's Bay Company for the purpose of colonization was not without opposition.\(^{43}\) Lieut. Adam Dundas, in a report to Colonial Secretary Grey prior to the Grant, succinctly posed the contradiction between settlement and the fur trade:

That this powerful company have the ability to form advantageous Settlements in these unfrequented parts, there is not a doubt, but when their trade is wholly carried on with the Aborigines is it to be supposed, that they would aid in the advancement of civilization when from time immemorial it has been proved that progress of the one has ever been at the expense of the other? and should the natives cease to exist, why, their occupation is gone. It is only a natural conclusion then to arrive at that the efforts which the Hudson's Bay Company are putting forward to obtain either a direct or indirect influence in Vancouver Island are with the sole motive of protracting to as late a period as possible a monopoly which they have so long enjoyed and which could not benefit the country, the only object of establishing a Settlement in such a distant quarter...\(^{44}\)

\(^{42}\) cited in ibid., p. 287.


The Hudson's Bay Company was able to muster sufficient political support, however, to overcome any objections to their proposal. The Colonial Office, under the influence of Earl Grey, was reluctant to shoulder the expenses of colonization directly in an age of laissez-faire, and thus chose the large fur-trading organization to carry out its imperial design. As far as the Hudson's Bay Company was concerned:

Should colonization succeed, they would find their reward...in bringing out settlers, in furnishing them supplies, in securing the best lands, and in developing the coal mines. So far as the Island alone was concerned, they could undoubtedly make more out of it in this way than in holding it as a fur-trade preserve. On the other hand, should colonization fail, they would not only have the country all quietly to themselves again, but they might collect from the Crown wellnigh whatever sum their consciences would permit them to charge as expenses of the failure.45

As it turned out, the Company, while not making exorbitant profits, did manage to profit from settlement, but more importantly, its control of colonization did prevent Vancouver Island from becoming a base of opposition, by either American or British commercial interests, against its mainland fur trading operations. Within the next decade it became quite evident that, despite the public pronouncements, the Hudson's Bay Company obstructed and delayed settlement and colonization.

(E) Colonial-Company Rule: 1849-1858

(i) Land

The conditions for the disposal of land set by the Hudson's Bay Company under its colonization scheme were designed to control and limit settlement rather than to effect an orderly process of growth. The Company, by monopolizing all of the best lands for itself, and, by imposing severe restrictions on the ownership of land, made it impossible for large numbers of immigrants to own land.

The Hudson's Bay Company allocated all of the best lands to either itself, its satellite, the Puget's Sound Agricultural Company, or to the high-ranking officials and officers of the Company. The possible future termination of the Royal Grant, and the Company's concern over "possessory rights"—which had been of great importance to the Company during the Oregon dispute—prompted the Hudson's Bay Company to either claim or to purchase all of the land around Fort Victoria. In 1851 Richard Blanshard, the first Governor of Vancouver Island, complained to the Colonial Office that Douglas was claiming "nearly 30 square miles of the best part of the Island" and that the Hudson's Bay Company had "no intention of paying".

The exact extent of the so-called "Fur Trade Reserve" on Vancouver Island varied from a low of six square miles to, as Blanshard asserted, 30 square miles, but as E. E. Rich said: "...the fur trade reserve, even when closely defined, included all the water-front and adjacent areas".

46 Blanshard was Governor for only 17 months. He was succeeded by James Douglas.


wrote to Earl Grey that the "whole tendency of the system pursued by the Hudson's Bay Company" was "to exclude free settlers, and reserve the Island, either as an enlarged Post of their own or a desert". 49

By the end of 1854, according to a census of Vancouver Island, 50 the Hudson's Bay Company had farms at Beckley, North Diary and Uplands, comprising a total of 2,171 acres; and the Puget's Sound Company had farms at Constance Cove, Esquimalt, Maple Point and Viewpoint, totalling 2,100 acres. Between 1852 and 1855 the Hudson's Bay Company had bought a further 6,200 acres and the Puget's Sound Company a further 2,574 acres. As Rich said:

These were very substantial portions of the total of 11,455 acres which had been sold since that date, and although there were forty-three "settlers" by 1855 most of these were connected with the Company, and the only noticeable increase in population was due to the Company sending out a further three hundred or so during the period, many of them on behalf of the Puget's Sound Company. 51

Those directly related to the Company also owned large estates: John Work held 583 acres and Pemberton, 200 acres; Tod had a farm at Oak Bay and Cameron owned a tract of land at Belmont; and Douglas, who was reputed to be the largest land owner by the 1860s, operated the


Fairfield Estate, which covered a total of 418 acres. Thus, while the Hudson's Bay Company was supposedly engaged in a colonization scheme, it was apparent after the first few years of Colonial-Company-Rule that the Company, and those associated with it, were virtually the only "colonists". Land was not widely dispersed.

Perspective colonists and settlers, if they were not brought out under contract or as indentured servants, were forced to look for arable land at a considerable distance from the main area of settlement. This was not the only situation, however, that discouraged settlement. The Directors of the Company decided to charge one pound

52 M. Macfie alleged that just after Douglas became Governor of Vancouver Island, he suggested to the Colonial Office that the thousand acres set aside as a "Governor's Reserve" be thrown open for purchase by the public. "Whether it was by design or coincidence is not here asserted, but this land was bought almost immediately by His Excellency and the Surveyor-General, at a mere nominal figure. The governor, it will be admitted, took disinterested and public ground, to some purpose, in his appeal to the Secretary for the Colonies; for while poor immigrants received no benefit from this concession of the home authorities, Mr. Douglas and his friend enriched themselves immensely by the operation" (Macfie, Vancouver Island and British Columbia (London, 1865), pp. 313-14).

53 Macfie wrote in 1865: "Emigrants coming at this early stage of colonial growth, ignorant of the amount of land held by companies and private individuals for a considerable period, expect, perhaps, to be able to select for purchase sections within easy distance of Victoria on merely nominal terms; and are consequently surprised to find farms, partially under cultivation, valued at a figure so much higher than they had anticipated. The Hudson's Bay and Puget's Sound Companies, with certain officials of those companies, in their private capacity, own in different districts an aggregate of at least 15,000 acres of land, the price of which, several years previous to the present law of pre-emption being passed, was one pound per acre. (Vancouver Island and British Columbia, pp. 190-91).
per acre for colonial land, while in the United States land was selling for one dollar per acre, and in Oregon, it was given away free after 1850. Furthermore, the minimum block of land purchasable was 20 acres, and purchasers of large acreages were required, at their own expense, to bring out five single men or three married couples. All of these factors tended to act as a guarantee against independent colonization.

(ii) Agriculture

The Hudson's Bay Company prevented the widening of the domestic market and extended the phase of merchant monopoly control by obstructing the transition of capital and men into agriculture. The restrictive impact of monopoly blocked the development of a market for agricultural produce and a market for agricultural surplus labor; and, by not providing agriculture with cheap farm implements and consumer goods, and by fixing the relations of production in an archaic mold of extra-economic coercion, the Company forced agriculture into a self-sufficiency resembling feudalism.

The capital investment in agriculture was limited to the interests of the fur trade, and its development was retarded by the feudal arrangements surrounding the farming operations. Agriculture was not organized along capitalist lines. The early farming developments in

54 "The Company offered the land on terms which could be attractive only to Englishmen wishing to become gentlemen farmers" (Douglas MacKay, The Honourable Company: A History of the Hudson's Bay Company (New York, Bobbs - Merril Co., 1936), p. 234.

the Columbia region, for example, followed the feudal system of farming "on halves"; the Puget's Sound Company would provide the stock and seed and then take one-half of the increase in production. The Company's "bailiff farms" on Vancouver Island were similarly organized along feudal lines.

Each of the four farms it acquired was placed under the supervision of a "gentleman bailiff" who put up security, received a small salary and shared whatever profits his farm earned. Each bailiff received free housing and free food. The Puget's Sound Agricultural Company paid his labourers 17 pounds a year with their keep, and promised them at the end of five years faithful service, holdings of twenty or more acres, valued at one pound an acre. As conceived, the plan was to produce a local squirearchy and a class of small landholders.

Captain Edward Langford, the bailiff at the Colwood Farm, "lived the life of an English country gentleman".

The labour supply for the Company's agricultural operations was secured by importing English farm labourers. These labourers, however, were not wage-earners in the capitalist sense, but were subject to the extra-economic coercion of the Hudson's Bay Company. M. Ormsby wrote:

As for the employees of the Puget's Sound Agricultural Company's farms, they were among the most severe of Douglas's critics. Receiving wages so much lower than those paid in American
settlements on the other side of Puget Sound, they felt exploited, and the fairly rigid class structure in the Colony cut them off from most of the social life of the gentry.\textsuperscript{59}

The importation of labourers and farm bailiffs was designed to keep the resources of the Colony exclusively in the hands of the Company. As Matthew Macfie said: "No settler was encouraged to remain in the island in the first instance, unless introduced under the auspices of the Company".\textsuperscript{60} Thus, as one historian noted, the Hudson's Bay Company scheme for farming "appeared as part of a proprietary development rather than as a colonization scheme".\textsuperscript{61}

(iii) Capital Investment

The major portion of the profits derived from the fur trade in the Northwest\textsuperscript{62} were siphoned off to London, some of which later returned to Canada in the form of portfolio investments.\textsuperscript{62a} The economic surplus that was appropriated by the monopoly was not ploughed back into its own enterprise, nor to any great extent, into new

\textsuperscript{59} Ibid., p. 126.

\textsuperscript{60} Macfie, \textit{Vancouver Island and British Columbia}, p. 62.


\textsuperscript{62} The profits from the Company's posts west of the Rockies and north of the 49th degree parallel, from the 1840s onward, averaged year after year about 30,000 pounds (Rich, \textit{Hudson's Bay Company}, Vol. III, p. 749). In other words, about one-half of the Hudson's Bay Company's annual profit of 60,000 to 70,000 pounds was derived from the area bounded by the present day borders of British Columbia.

\textsuperscript{62a} see section (F) of this chapter, "The Fur Trade and Capital Accumulation".
productive enterprises. The Hudson's Bay Company was a mercantile corporation based on the surface exploitation of a staple product; the Company's profits were extracted from the fur trade and all other activities were essentially subsidiary to its operation. Nevertheless, in order to minimize the changes in the pattern of the fur trade, the Company did attempt to establish and develop auxiliary trades. Throughout the nineteenth century the fur frontier was moving steadily north and west, and with it, the basis of the profitable fur trade. Edward Ellice in 1857 placed the southern boundary of the fur trade at 60 degrees North. It was in order to minimize these changes that the Company sought to develop trades in lumber, fish and coal.

The Californian gold rush of 1849 greatly increased the demand for lumber and agricultural products. After 1849, Douglas and Colville saw the Californian market, as well as the Hawaiian market, which had grown with the increase in sugar production, as a new opportunity for diversifying and expanding trade. In 1848 the Hudson's Bay Company erected a sawmill at Millstream on Vancouver Island, the first sawmill of what is now British Columbia, and in 1849 a cargo of 8,238 feet of lumber, at a price of $80 per 1,000 feet, was shipped to San Francisco. During the next few years and before the mill stopped operating in 1855, "...a considerable number of shipments went to San Francisco and also to Hawaii..." This was not the first time that forest products had been exported from the coast, but


64 Ibid.
nonetheless, the sawmill built by the Hudson's Bay Company at Millstream in 1848, as well as a second water-powered mill built by the Company at Nanaimo in 1853, represented the beginning of the timber trade in British Columbia.

The employees of the Hudson's Bay Company also invested in new enterprises. The private accumulations of Chief Factors and Chief Traders were quite considerable: the average amount distributed under the Deed Poll between 1840 and 1857 was 26,229 pounds. This amount represented 40 percent of the Company's annual profit. 65

The Vancouver's Island Steam Sawmill, for example, was started in 1851. The initial capital was for 2000 pounds, in 100 pound shares, and all of the original subscribers were Company employees: James Douglas, David D. Wishart, J. D. Pemberton, Roderick Finlayson, John Work, etc. 66 This sort of investment, however, was the exception to the rule. Employees of the Hudson's Bay Company, on retirement or during their career, tended to invest their money in land or small-scale retail operations, or for that matter, to leave their earnings with the Company in London for reinvestment. 67


66 The initial capital proved to be too small, however, and the Company soon ran into financial trouble; in 1857 the mill was sold to James Duncan of Victoria for 2,000 pounds. Lamb, "Early Lumbering on Vancouver Island, 1844-1855", _op. cit._, pp. 42-46.

67 "In addition to its own balances the Company had the savings of its staff to invest, and it allowed interest (normally four per cent) for wages or shares of the profit of trade left in its hands". Rich, _Hudson's Bay Company_, Vol. III, p. 819.
Coal mining was another area in which the Hudson's Bay Company invested capital. Coal was discovered at Beaver Harbour on Vancouver Island in the mid 1830s, but it was not until after the 1840s and the rapid growth of steam navigation in the Pacific that the Company was encouraged to develop this staple product. In 1848 the Company contracted to supply coal to the Pacific Mail Steam Ship Company, that was operating three steamers between Panama and the Oregon Coast. But the Company hoped to profit by not only supplying private shipping firms, but also by supplying the Royal Navy. The British Navy began to see the strategic significance of the coal deposits on Vancouver Island about the same time as the Hudson's Bay Company began to investigate the commercial possibilities. Rear Admiral Seymour wrote in 1847 that the deposits of good coal would add greatly to

> The future value of the British possessions on the Northwest Coast and contribute the means to extend their commerce, and to facilitate their defence, as California and the neighbouring countries become of more consequence, and acquire additional population. 68

The Admiralty recommended that the coal mines be reserved for the public interest and that the Crown should operate and supervise production. But despite the Admiralty's objection to private exploitation of the coal, the Hudson's Bay Company received the Royal Grant of Vancouver Island in 1849, and thus, jurisdiction over all lands and minerals. 69 The Navy's concern was not unfounded; within the


69 For a discussion of the relation between the Royal Navy and Vancouver Island coal see, ibid., pp. 98-103.
next few years they were forced to rely on other sources for their coal supplies, though from time to time the Navy did purchase supplies from the Company. One reason given for this was the high prices charged the Navy for Vancouver Island coal. Rear Admiral Hornby wrote in 1851:

> Eventually Vancouver Island promises a plentiful supply but owing to the difficulty and uncertainty of working the mines, and the exorbitant price of 50s per ton demanded by the Hudson's Bay Company, it is not desirable to look to that quarter at present.\(^70\)

Prior to receiving the Royal Grant of Vancouver Island, the Hudson's Bay Company had argued that they were not interested in financial gain, but rather in using the profits of any coal mining venture in the interests of promoting the good of the Colony. The Company's concern for the good of the Colony, however, did not prevent them from securing the Nanaimo coal-field for themselves. In 1850 coal was discovered at Nanaimo and in 1853 Douglas sent Pemberton, the Company's surveyor, to map out the promising coal seam there. Douglas was unsure about the right of mineral royalties, and, as he had already transferred the miners from Fort Rupert (Beaver

\(^{70}\) cited in ibid., p. 103.
Harbour), Douglas made sure of buying all the coal-bearing land in the area. The Nanaimo Coal Company, a subsidiary to the Hudson's Bay Company, was formed to manage the coal mining operations. Douglas's purchase of the 6,000 acres at Nanaimo was severely criticized by his colleagues in the fur trade at the time; this criticism, however, proved to be unwarranted. The Hudson's Bay Company, who paid 6,000 pounds for the property, sold the "Nanaimo Estate" to a group of English Capitalist, associated under The Vancouver Coal Mining and Land Company, Limited, for 25,000 pounds cash and a mortgage of 15,000 pounds.

In 1849, the Hudson's Bay Company brought some Scots miners out from Britain to work the coal seams at Fort Rupert. The small party of miners was headed by John Muir. From the beginning there was conflict between the miners and the Company. The miners were discontented with the feudalistic restrictions imposed by the Company; they charged that housing and working conditions were not up to the agreement. In 1850 Andrew Muir, with an "echo of charism", criticized the conditions. The clerk of the Hudson's Bay Company in charge put two of the minders, including Muir, in irons for six days on a diet of bread and water. Four others were imprisoned for two days (see W. Kaye Lamb, "The Governorship of Richard Blanshard", op. cit., pp. 8-11). This marked merely the beginning of labour strife in the coal fields of Vancouver Island. (see Jack Scott, Sweat and Struggle, Working Class Struggles in Canada, Vol. I: 1789-1899 (Vancouver, New Star Books, 1974), pp. 149-184).

"Capital 100,000 pounds in 10,000 shares of 10 pounds each. Directors, Hon. Mr. Justice Halibuton, George Campbell, C. W. W. Fitzwilliam, Josephy Fry, James V. H. Irwin, and Prideaux Selby. Resident manager at Nanaimo in 1863, C. J. Nicol; and in 1877, Mark Bate". Hubert Howe Bancroft, History of British Columbia, Vol. XXXII, p. 569.

In general, the capital invested in the region by the Hudson's Bay Company tended to flow into the acquisition of rent-bearing land or into the traditional mercantile activities such as retail operations, freight services and land speculation, and the remainder went to support the luxurious living of high-ranking Company officials through the construction of urban and rural residences and the employment of servants. These investments did not represent a long term commitment of fixed capital, nor did they represent a long term commitment to the development of the region. The fur trade remained the major source of profit for the Hudson's Bay Company: all other activities were subsidiary. The capital requirements of the fur trade involved the provision of short-term, merchant capital, i.e., the ratio of fixed to circulating capital was very low. Merchant capital was well adapted to gathering up and exchanging surface products, and it was this type of capital that dominated the economic relations of the region.

(iv) "Family-Compact-Company"

The independent and capitalist-minded settlers, at an early date, came into conflict with the Hudson's Bay Company. The settlers, like the employees, were completely dependent upon the Company for supplies and freight services. While imposing no restrictions upon traders, the Company, quite understandably, refused to carry the goods of would-be competitors. There were no independent merchants on Vancouver Island until 1858. The entire population had to rely on the Hudson's Bay Company for all necessities. Independent settlers were charged 300 percent on the cost of supplies, whereas the chief officials of the Company paid 33 percent, and in-
fierior officers 50 to 100 percent advance on the cost.\textsuperscript{74} The Royal Navy was likewise charged the full price on goods and provisions.

The Hudson's Bay Company could also profit from settlement---at the expense of the small number of independent settlers---by other means. In 1850 James Douglas was instructed to pay 4,000 pounds for the purposes of the Colony. The Governor proceeded to use 2,000 pounds of this amount to extinguish the land claims of the Indians around Victoria. This was paid, however, in goods charged to the Colony at three times the landed cost.\textsuperscript{75} The rest of the money was used in the construction of a coastal road linking Victoria to the Company's other claims.

Before the end of Company-Colonial rule in 1858, however, the Company was able to profit one more time from its venture in colonization: this was through the payment for the "resumption" of the island by the Crown. The price-tags for recompensing the Hudson's

\textsuperscript{74} Macfie, Vancouver Island and British Columbia, p. 311. Another practice of the Hudson's Bay Company which created conflict between the Company and the independent settlers was the so-called "truck system". James Dean, a one-time employee of the Company, wrote in 1878: "The 'truck system', i.e., the paying for labour etc. in goods in lieu of coin also was a source of discontent and annoyance: rendered settlers subservient to a humiliating degree upon the Hudson's Bay Company. It is not astounding that the Colonization of the Island failed to prove a success" (James Dean, The Settlement of Vancouver Island (Victoria, 1878, MS in the Public Archives of British Columbia), cited in, Derek Pethick, Victoria: The Fort (Vancouver, Mitchell Press, 1969), p. 112).

\textsuperscript{75} Lamb, "The Governorship of Richard Blanshard", p. 27; Rich, Hudson's Bay Company, pp. 758-59.
Bay Company for its possessory rights and expenditures on Vancouver Island varied between the 225,699 pounds claimed by the Company and the 46,524 pounds offered by the Colonial Office. The amount that was finally agreed upon was for 57,500 pounds: 32,500 pounds, plus the 25,000 pounds that had already been paid. What was of great significance to the Company, however, was the fact that the "grants of land sold by the Company prior to the 1st of January, 1862, were to stand including of course sales to itself". In the Colony the Agreement was received with disgust. The Report of the Committee on Crown Lands of Vancouver Island of 1863-64 complained "that although by the charter of grant the Company was only entitled to one-tenth of the gross proceeds it had taken more than half of them as well as one-tenth of the remaining portion".


78 Ibid. The agreement to the "repurchase" of Vancouver Island, however, turned out to be a mere shadow of the massive give-away that was involved in the transfer of Rupert's Land to the Dominion of Canada. In the agreement of 1869, the Hudson's Bay Company received 300,000 pounds in cash; land (not to exceed 50,000 acres) in the vicinity of its trading posts; and a reservation of one-twentieth of the entire region in the fertile belt from the Red River to the Rocky Mountains (see, Chester Martin, "Dominion Lands", in W. A. Mackintosh & W. L. G. Joerg (eds.), Canadian Frontiers of Settlement, Vol. II (Toronto, MacMillan, 1938), pp. 217-225.

The revenue from the sale of land alone, between 1893 and 1912, amounted to $15,627,944 (Myers, A History of Canadian Wealth (Toronto, James Lewis & Samuel, 1972), p. 148); by 1952 the Company still held title to 100,000 acres and the mineral rights on slightly more than four and one-quarter million acres (A Brief History of the Hudson's Bay Company, HBC, 1958, p. 42).
What was even more of a grievance as far as the independent settlers were concerned, however, was the fact that the Company completely controlled State Power. Richard Blanshard, the first Governor of Vancouver Island, was instructed to set up a Council and an Assembly of freeholders, but discouraged by the Colony's prospects under the domination of the Hudson's Bay Company, he failed to carry out these directives. Blanshard resigned in late 1850, but before he departed he did set up a provisional council to administer the affairs of the Colony. The senior member of the council was James Douglas, Chief Factor of the Hudson's Bay Company; the following year, Douglas was appointed Governor.

All of the independent settlers signed a petition regretting Blanshard's resignation and their concern over Douglas's appointment. But the petition failed to have any effect: Douglas continued to govern, with the support of the Colonial Office and without the aid of an assembly. In 1854, however, the Law Officers of

---

79 The memorial declared: "...understanding that the government has been committed to a chief factor of the Hudson's Bay Company being, as it is, a great trading body, must necessarily have interests clashing with those of independent colonists. Most matters of a political nature will cause a contest between...the Company and the colonists. Many matters of a judicial nature also will, undoubtedly, arise in which the colonists and the Company...will be contending parties, or the upper servants and the lower servants of the Company will be arrayed against each other. We beg to express in the most emphatical and plainest manner...impartial decisions cannot be expected from a Governor, who is not only a member of the Company, sharing its profits...but is also charged as their chief agent with the sole representation of their trading interests in this island and the adjacent coasts..." (cited in Scott, *Sweat and Struggle*, p. 154).
the Crown ruled that an assembly must be established and a reluctant Colonial Office ordered Douglas to summon a Legislative Assembly. The Colonial Office was initially perplexed by the ruling; it was led to believe, following the information provided by Douglas, that there were an insufficient number of freeholders to warrant the formation of an assembly. The London committee of the Hudson's Bay Company, however, driven by their own motives, reassured the Colonial Office:

The Company feared that their grant of Vancouver Island might be revoked because of their failure to colonize it, and they foresaw that an assembly could serve as a tangible proof of settlement and a refutation of their critics. Colville, Governor of the Company, therefore urged the Colonial Office to summon a seven-man assembly...

As it turned out, the Hudson's Bay Company had nothing to fear: the criticism of their opponents was softened and power remained in the hands of "The Family-Company-Compact".

Compelled to take some action, Douglas placed the matter before his council. The franchise was extended to all freeholders

---

80 Douglas had voiced his dislike of the whole matter of an assembly, and had postponed its establishment, outlining his reasons in dispatches to the Colonial Office. Henry Labouchere, the Colonial Secretary at the time, responded: "Nevertheless it has been doubted by authorities conversant in the principles of Colonial Law, whether the Crown can legally convey authority to make laws in a settlement founded by Englishmen even for a temporary and special purpose to any legislature not elected wholly, or in part, by the settlers themselves. If this be the case, the clause in your commission on which you relied would appear unwarranted and invalid" (cited in Lionel H. Kaing, "The Family-Compact-Company", The Washington Historical Quarterly, Vol. XXII, no. 1 (January 1931), p. 120).

who possessed 20 acres of land or more, and each member had to possess a freehold estate worth 300 pounds. Absentee proprietors were also allowed to vote through their resident agents. The franchise disqualified the majority of employees, miners and others, and had the result of leaving State power in the hands of the Company. As John Garner said:

These two features, proxy voting and a high property qualification for members, were to enhance the political power of the Hudson's Bay Company. Few citizens other than its officers possessed the amount of property required to qualify as a member and the proxy voting was of benefit to few but absentee officers of the Company. Hence six members of the first Assembly were in the service of the Hudson's Bay Company or the Puget Sound Agricultural Company, and the seventh member was the Company's nominee.  

The Company dominated more than just the Assembly, however, it also controlled the rest of the state apparatus. The Council was composed of John Work, R. Finlayson, and Mr. Todd, all high-ranking Hudson's Bay Company officials, and the Chief Justiceship went to David Cameron, a coal clerk under the Company and the brother-in-law of the Governor. The British Colonist protested these arrangements by saying: "Other colonies have been hampered by Family Compacts, but we have that evil blended with the interests and influences of a chartered monopoly". And: "Our boasted English system of government under the rule of Governor Douglas, his brother-in-law, sons-in-law, nephews-in-law, and clique, is rapidly becoming unworthy of the nation". In short, the Hudson's

82 Ibid.

Bay Company monopolized not only the economy, but also State power. James Douglas, as the Governor of the Colony, the Chief Factor of the Hudson's Bay Company, and the principal agent of the Puget's Sound Agricultural Company, exercised complete control over the political and economic life of the community. Douglas's interests were those the Company, and not of the Island as a whole.

The colonial rule of the Hudson's Bay Company represented a fusion of mercantilism and 19th century imperialism. The Colonial Office attempted to juxtapose and harmonize British free trade doctrines and British imperial interests by applying to Vancouver Island Edward Gibbon Wakefield's ideas on colonization. Wakefield, who, as Karl Marx said, "discovered in the colonies the truth as to the conditions of capitalist production in the mother country", wanted to "manufacture wage-workers in the colonies". It was this concern—the concern for capitalist development—that prompted Wakefield to develop his theory of "systematic colonization".


Wakefield argued that giving away or selling colonial land at low prices precluded the efficient combination of labour and capital; it would ultimately retard the development of a division of labour. Colonial lands, therefore, had to be sold at a "sufficient price" to prevent colonists from becoming land-owners too soon. In the 1830s and 1840s immigrants usually became land proprietors in short order, and it was because of this rejection of wage employment that Wakefield felt forced, in the interests of capitalist development, to place severe restrictions on the ownership of land. As Wakefield said:

> Where land is very cheap and all men are free, where every one who so pleases can easily obtain a piece of land for himself, not only is labour very dear, as respects the labourers' share of the produce, but the difficulty is to obtain combined labour at any price.  

Thus, hired workers would have ceased to be labourers for hire; they would have become independent landowners, if not

---

competitors with their farmer masters in the market for labour.\textsuperscript{87}

Systematic colonization, then, the selling of colonial land at a "sufficient price" in order to guarantee wage labour, would prevent the dispersion of natural wealth and further "primary accumulation".

Earl Grey, the Colonial Secretary, endorsed Wakefield's concept of "systematic colonization" because, in an age of laissez-faire and free trade, he wanted to excuse the imperial government from any direct expense for a colonization scheme. The revenue from the sale of land and the taxes upon rents in the Colony would provide money for an "emigration fund". On the other hand, Pelly, the Governor of the Hudson's Bay Company, approved of Wakefield's ideas because the Company, acting as the

\textsuperscript{87} Ibid., Vol. II, p. 5; also cited in \textit{ibid.} Cf. Engels description of the development of capitalism in the United States "There were two factors which for a long time prevented the inevitable consequences of the capitalist system in America from being revealed in their true light. These were the access to ownership of cheap land and the flood of immigrants. They enabled the great mass of indigenous Americans, for year on end, to 'retire' from wage-labour at an early age and to become farmers, dealers or even entrepreneurs, whereas the hard lot of the wage-labourer with his status of proletarian for life, fell mostly on the immigrant. But America has grown out of this early phase, the limitless virgin forests have disappeared and the still more limitless prairies are passing more and more rapidly out of the hands of the nation and the states into those of private owners. The great safety-value against the rise of a permanent proletarian class effectively ceased to operate". Engels, appendix to the American edition of \textit{The Conditions of the Labouring Class in England}, cited in Jurgen Kuczynski, \textit{The Rise of the Working Class} (New York, McGraw-Hill, 1967), p. 161.
colonizing agent, would be able to control settlement and emigration, and thus, protect its interests in the fur trade, and at the same time, profit as the organizers of the Colony.  

Earl Grey, however, must have "suffered from a strange delusion", as J. S. Galbraith said, when he concluded that the Company's experience with settlements at Red River and on the Columbia qualified it for the responsibility of colonizing the Colony of Vancouver Island. The Hudson's Bay Company perverted Wakefield's concept of colonization in order to serve its interests in the fur trade. Wakefield had assumed that the organizers of a colony, like the capitalists at home, would be encouraged to invest in manufacturing and capitalist agriculture, and therefore, would have need for a pool of landless wage-labourers. He urged expenditures by capitalists and not just investitures in trade. Wakefield wanted to keep labour sufficiently abundant to attract

88 The high price charged for colonial lands and the concentration of population also meant that "...the organizers of the Colony would gain considerably through the rise in real estate values and the sale of land. There is a good deal of unfriendly talk about Wakefield as a land speculator, and a part of Wakefield's correspondence, unfortunately, lends some credence to these charges (B. Semmel, "The Philosophical Radicals and Colonialism", in Shaw (ed.), Great Britain and Her Colonies, p. 79).

89 Galbraith, The Hudson's Bay Company as an Imperial Factor, p. 307.
capital: under the monopoly of the Hudson's Bay Company, however, capital was not attracted to the Colony. Farmers in the early 1850s could not pay labourers sufficiently high wages to prevent their desertion to the United States. The Hudson's Bay Company was a mercantilist trading organization with interests opposed to free settlement; its power and wealth accrued from the trade in furs, and it was that trade which benefited from the application of a perverted form of Wakefield's theory of systematic colonization. It was not surprising that there were only three independent purchasers of over 100 acres during the period of Colonial-Company-Rule.

(F) The Fur Trade and Capital Accumulation

(i) The Northwest Company

The economic structure of Canada during the Montreal fur trade was that of commercial capitalism. The Canadian entrepreneurs were essentially merchant-traders who accumulated capital through the unequal exchange of goods or through speculation on produce and on land; they were mercantilists, firmly tied to the structure of the British colonial system.  

The main economic activity around the turn of the eighteenth century in British North America was the fur trade. Edward Ellice, testifying before the Select Committee on the Hudson's Bay Company in 1857, said that in 1803 "the whole of the Canadian society, every person of eminence and consequence there, was then engaged in the fur trade, it being the only trade of importance in the Country".  

---


fur trade involved the provision of short-term, merchant capital; the ratio of fixed to circulating capital was very low. Merchant capital, which was well adapted to gathering up and exchanging surface products, dominated staple production.

The Northwest Company, "a distinctively Canadian concern", began as a loose union or partnership of independent merchants and traders. These merchant-traders, many of whom had made fortunes in the "process of charging exorbitant prices on government contracts", pooled their capital together; at first, for less than a year, but later for two years and then longer.

The absence of share capital and the practice of distributing profits annually meant that the Northwest Company could not accumulate large financial reserves; it was an organization designed for an expanding trade, not for a stable or declining one.

While the Northwest Company did not accumulate large financial reserves, the individual merchant-traders derived great fortunes from the profits of the Northwest Company. Even before the fur merchants had begun to channel their profits into other activities, however, they had become the foremost beneficiaries of huge land grants. Initially the

92 Ibid., p. 54.
93 Ibid., p. 55.
94 Easterbrook & Aitkin, Canadian Economic History, p. 166.
95 In 1802 Simon McTavish received a grant of 11,550 acres; William McGillivray a grant of 11,550 acres. In 1810 the Ellice family obtained a grant of 25,592 acres and another grant of 3,819 acres. In 1815 John Richardson received 29,800 acres and Thomas Dunn, 11,500 acres. The Frobisher estate comprised 57,000 acres and McGill's possession comprised 38,000 acres; etc. G. Myers, A History of Canadian Wealth, pp. 66-67.
merchant class had been opposed to the aristocratic structure of society and had sought the establishment of institutions of parliamentary democracy which they hoped to control. But after accumulating a certain amount of wealth in trade, they compromised and formed a power alliance with the aristocratic element and many of the fur traders bought seignories. As the fur trade began to decline, the fur merchants became heavily involved in land speculation, and their profits from the Northwest Company became "conspicuous in banks, steamboats, railroads, and other capitalist channels". The Bank of Montreal, for example, was founded in 1817 largely by the fur traders of the Northwest Company in conjunction with other prominent merchants, such as John Molson. John Gray, the first President of the Bank, was a retired Northwest trader, and Samuel Gerrard, the President from 1820 to 1826, financed the XY Company between 1797 and 1804, as well as operating a large Montreal export/import business. Samuel Gerrard was also a member of the new firm, Gerrard, Gillespie & Company, which had taken over the business of the Northwest Company from the former partnership. Peter McGill, an old Northwester, was also involved in the founding of the Bank of Montreal. McGill was President between 1834 and 1860, and at the same time, he had become involved in the organization of Canada's first railway, in the operation of the Lachine Canal, in the development of one of the first steamboat companies in Canada, and in politics: he was appointed to the

96 See, Dubuc, "Problems in the Study of Stratification of Canadian Society", op. cit., p. 113. Cf. Maurice Dobb, Studies in the Development of Capitalism, p. 120: "One feature of this new merchant bourgeoisie that is at first as surprising as it is universal, is the readiness with which this class compromised with feudal society once its privileges had been won".

legislative Council of Canada in 1841 and in 1847 he became Speaker of the Council with a seat in the Executive Council.  

(ii) The Hudson's Bay Company

The Northwest Company had "brought fortunes out of the west to be spent in cities of the east", after the Hudson's Bay Company absorbed the North West Company, however, the west "became a private preserve, exploited for a handful of English shareholders". Sir John Pelly, the Governor of the Hudson's Bay Company between 1822 and 1852, gave some indication of the profitability of the fur trade for his fellow English stockholders when he testified before the Select Committee in 1857:

...as nearly as I am able to judge from the defective state of the books during the past century, profits on the originally subscribed capital stock, actually paid up, of between 60 and 70 per cent per annum from the years 1690 to 1800.

The capital stock of the Hudson's Bay Company stood at 10,500 pounds in 1676; in 1720 it was increased to 103,950 pounds, but only 13,150 had actually been paid in. Throughout the years of the struggle with the Northwest Company, the Company paid a 4% dividend. In the first year after amalgamation the Company had shown a loss, but during the next year it realized a profit of 40,000 pounds, representing a 10% dividend on a capital stock that had been increased to 400,000 pounds. By 1854 the capital stock had been increased to 500,000 pounds, and on this capital of 500,000 pounds, dividends and bonuses had reached a high of 25% in 1838.

---


101 Ibid., p. 41.
Between 1842 and 1862, dividends paid out averaged 10%. The Hudson's Bay Company argued that it earned the ordinary rate of mercantile profit. Critics of the Company, however, were not as kind and charged that the Company's rate of profit was excessive. It was alleged, for example, that on an outlay of 211,000 pounds and with an annual revenue of about 750,000 pounds, the Company had made a net profit of 119,000 pounds—a rate of profit well over 50%. But whatever method of calculation used, it was undeniable that the Hudson's Bay Company made enormous profits. Edward Ellice told the Select Committee that the average annual profit between 1840 and 1857 amounted to 65,573 pounds. Ellice made clear in his testimony, however, that these profits were derived solely from the operation of the fur trade and did not include the other business activities of the Company, such as the profits of the Puget's Sound Agricultural Company or its trading and retail operations. The importance of these other activities was indicated by the fact that the Company's tax return of profits averaged 124,578 pounds between 1859 and 1862, whereas the profit from the fur trade itself totalled about 75,000 pounds.

---


It has been estimated that by 1857 the Hudson's Bay Company had extracted 20 million pounds in profit from the fur trade in British North America. One-half of the capital accumulated by the stockholders of the Company, according to one calculation, later came back to Canada in the form of portfolio investments. The fur trade, along with the entrepot trade in other parts of the world, was an important source of large amounts of capital which Britain used to finance her industry and later her formal and informal empire. As G. Myers said:

Here was one of the prime origins of the capital flowing into England, part of which went later into factories, mines and other capitalist concerns at home, and part into investments in Canada and elsewhere.

The directors, officials and shareholders of the Hudson's Bay Company were members of the merchant capitalist class who, with the support and backing of a segment of the aristocracy, channelled their capital surpluses into banking, transportation and commerce. Many of the directors of the Hudson's Bay Company had other interests besides the fur trade.

Governor Shepherd for example was deeply committed to the East India trade, Simpson and Pelly were engaged in the Baltic timber trade, Colville's interest in sugar remained with him.

---


107 Ibid., p. 137.

108 Ibid., p. 47; But as Myers says at another point: "While one branch of the English trading class was benefiting from the exploitation of Canada, other branches were pocketing profits from that in India and elsewhere, from the opium traffic in China and from the horrors of the factory system in England itself" (p. 142, fn. 16).
and Ellice combined political and financial interests as a former Secretary of the Treasury and M.P. for Coventry might be expected to do.\textsuperscript{109}

Financial capital emerged from merchant capital through the pooling together of the capital accumulated by merchants in trade and by the development of banking. British capitalists exported between 1815 and 1875 a capital surplus amounting to about half a million pounds.\textsuperscript{110} Most of this investment occurred after 1850. At the time of the Union of the Canadas, Britain's accumulated balance of credit abroad equalled about 162 million pounds, by 1850 it totalled 225 million pounds, and by Confederation the amount had climbed to 576 million pounds.\textsuperscript{111} The amount of this investment was small in comparison to what was to occur between 1875 and the First World War; but it was important because by 1875, as L. H. Jenks said:

\begin{quote}
The export of capital was over. Her further investments were to come for a generation from the accruing profits of those which had already been made. They were to consist in what a German writer has termed 'the secondary export of capital'.\textsuperscript{112}
\end{quote}

The Hudson's Bay Company epitomized the alliance that occurred between a segment of the landed class and merchant capitalism prior to the onset of the Industrial Revolution. The mercantile operations of the Company contributed to the process of primitive accumulation of capital in

\textsuperscript{109} Rich, \textit{Hudson's Bay Company}, p. 819.


\textsuperscript{112} L. H. Jenks, \textit{The Migration of British Capital to 1875}, p. 333.
Britain. But even after the emergence of industrial capital and the breakdown of the Old Colonial System, the merchant capitalist class, to which the officials and directors of the Hudson's Bay Company belonged, continued to dominate the politics of British imperialism. The peculiar nature of the outward thrust of British expansion, its outward orientation, can be accounted for by the continued dependency of industrial capital on merchant capital. It was the merchant class who put capital to work in the interest of binding foreign markets to the British factory and in developing sources of foodstuffs and raw materials. Canada represented an important outlet for Britain's capital surpluses and she was an important source of raw materials. The capital invested in Canada's transportation system between 1850 and 1856, for example, represented close to 30% of Britain's net income available for foreign investment.

For Canada during the 1850s and 1860s, however, as for India, the importation of British capital implied a persistent measure of economic and political control from London. It was within this framework of expanding British capitalism that the consolidation and expansion of British North America took place.


(G) Conclusion

The Hudson's Bay Company was largely responsible for extending and maintaining British authority in the Pacific Northwest. The extension of British authority across the North American continent, however, occurred within the framework of expanding capitalism. Britain was willing to use whatever means necessary to check American expansion and to maintain its strategic interests; those means, however, changed, and the character of imperialism changed, as the economic structure of Britain was transformed. It was becoming abundantly clear by the late 1840s that the Hudson's Bay Company—demonstrating the "imperialism of monopoly" and following a strategy of defensive expansionism—was no longer acting as the most appropriate vehicle of the imperial interest. The Hudson's Bay Company was an anomaly in the age of industrial capitalism, and it increasingly came under attack by the merchants and industrialists who were the bearers of the new social relations of production and of the new conception of empire.

The mounting opposition to the Hudson's Bay Company and the emergence of Anglo-Canadian expansionism were roughly co-incidental; and, they can both be traced to changes in the British metropolis. During the 1840s the disaffection among the inhabitants of the Red River area, criticism by former servants, supported by missionaries, and accusations of enslaving the Indians posed an immediate and serious problem for the Hudson's Bay Company. The most serious threat to the continued existence of the fur-trading monopoly, however, did not come from the dissident colonists and settlers on Vancouver Island, or from the missionaries and humanitarians who criticized the Company for its treatment of the Indians, but from the
Canadian and British capitalists who clearly saw that the interests of monopoly could not be reconciled with agricultural and commercial development.

On February 5, 1857 the Secretary of State for the Colonies, Henry Labouchere, appointed a select committee of Parliament "to consider the State of those British Possessions in North America which are under the administration of the Hudson's Bay Company, or over which they possess a Licence of Trade". The Report of the Select Committee warned of the approaching end of the Company's monopoly. It recognized the desire of Canada to extend its agricultural and commercial boundaries, and in the interests of Empire solidarity it concluded

that it is essential to meet the just and reasonable wishes of Canada to be enabled to annex to her territory such portions of the land in her neighbourhood as may be available to her for the purposes of settlement, with which lands she is willing to open and maintain communications, and for which she will provide the means of local administration.

Furthermore, the Committee recommended the termination of the Hudson's Bay Company's rule on Vancouver Island "as the best means of favouring the development of the great natural advantages of that important colony", and also the eventual establishment of a colony in the Indian Territories west of the Rockies. In 1858, the Colonial Office, taking advantage of the "colonizing clause" in the Licence of Exclusive Trade, established the Colony of British Columbia, and in 1859, the Royal Grant of Vancouver

115 cited in Galbraith, The Hudson's Bay Company as an Imperial Factor, p. 341.


117 Ibid.
Island to the Hudson's Bay Company was allowed to expire and it became a Crown Colony. In general terms, however, the tone of the Committee's Report was friendly. In all of the territories where there were no prospects of settlement, the Hudson's Bay Company was permitted to continue to enjoy its privileges of exclusive trade. Nevertheless, the Committee's Report, as J. S. Galbraith said, "heralded the end of the fur-trading monopoly in the 'fertile belt'. From this time, the Company was continually harassed by the Colonial Office to make terms with Canada, until it was forced to surrender".118

V ANGLO-CANADIAN EXPANSIONISM

(A) Introduction

Federation of the four eastern colonies was only the nucleus of the transcontinental commercial system envisaged by the commercial class of Montreal. It was a projected commercial system within the context of British imperialism, and English financial capital actively sought its achievement. The acquisition of the West and expansion to the Pacific were central purposes of Confederation. The West promised economic expansion, population growth, and investment opportunities, but most important, it promised the development of a commercial system that would make British North America a great "half-way" house, channelling trade and commerce between the Far East and Europe. Without a Dominion "from sea-to-sea" one of the main objects behind Confederation would not be achieved. Alfred Waddington, a Victoria merchant, pointed this out in a speech to British Members of Parliament:

British Columbia is the key to the North Pacific. Without her and Saskatchewan territory, the very existence of Canada as a British dependency would be compromised, and before long at an end. The United States are already knocking at the door, and if the whole of British North America is not speedily connected by an overland communication or by railroad, England may bid adieu forever not only to Canada but to the greater portion of her trade with the East, and, as a consequence, to her commercial supremacy.1

The long distance and imperial trade, drawn across British North America, was the major reason behind the drive to construct a transcontinental railway.

After the failure of the Grand Trunk Railway to capture the trade and commerce of the American mid-west, the Canadian ruling class turned its attention toward continental consolidation and expansion. Their ambition of mercantile expansion was based not only on the fact that American rivalry would not be a factor in the Northwest, but also on their increasing interest in developing a trading empire based on Asian commerce. The old dream of a passage to India was revived: both Victoria and Montreal would become outlets for Prairie foodstuffs and staples, and British North America would be the center of the world traffic pattern. With a transcontinental highway linking Asia to Europe, Canada, as Edward Watkins said: would wield the "commercial sceptre of the world". And the Canadian banking, railway and financial interests would profit through the extension of their intermediary activities across the continent.

The Canadian ruling class was searching for its own hinterlands to exploit, but it lacked the political framework for expansion. Confederation would provide the necessary political stability and economic security for a project of economic growth. The new Canadian empire was not to be a strictly "national product" whose primary rationale was to be the provision of markets for Canadian goods and outlets for Canadian capital. On the contrary, it involved the development of a transcontinental trading system within the framework of British imperialism. Behind the drive toward Confederation stood British financial capital. The Canadian State was to act as the instrument of the financiers of London, by guaranteeing their loans and investments, and at the same time it was to serve their partners, the Canadian merchants, railwaymen and bankers. The Canadian ruling class was unified under the leadership of the comprador bourgeoisie,
whose class interests were firmly linked to British imperialist capital.

The entry of British Columbia into the Canadian Federation has its roots in the same configuration of forces as those behind Anglo-Canadian expansionism; the two cannot be separated. After the amalgamation of the Northwest Company and the Hudson's Bay Company in 1821, the economic development of Canada and British Columbia was only separate in a geographic sense. Both regions remained connected by dent of their relationship to the British metropolis. The same class of British capitalists who accumulated capital surpluses from the fur trade, from the timber trade in Canada, from India, and from other hinterland regions, reinvested their capital not only in British industry, but also in its formal and informal empire, including Canada and colonial British Columbia. The great merchant monopolies such as the Hudson's Bay Company and the East India Company, which were supported by a segment of the British landed class, were involved in international merchant capitalism, and there was a direct continuity between these companies and the big merchant banks of the 19th century. The capitalists connected with these merchant banks and companies continued to dominate the politics of British imperialism throughout the century. The class was engaged in international finance and trade and they put British capital to work in the interest of binding foreign and colonial markets to the British factory and in developing sources of foodstuffs and raw materials. British Columbia was part of this process of British economic imperialism.
After the severance of the western fur trade in 1821, the merchant-traders of Canada shifted their attention to capturing the commerce of the Great Lakes Basin. They hoped to graft the commerce of both sides of the Great Lakes, and even the Upper Mississippi Valley, onto the St. Lawrence River, and thus, to benefit as the intermediaries of the imperial trade. The Montreal merchants, in their competition with the Hudson River, had to find new trades to develop, but the development of new staples meant a new transportation system and a new type of capital: long-term, fixed capital.

The individual fur traders and merchants of Montreal made great fortunes from the fur trade in the Northwest, more than enough for the operation of the trade itself. But while the merchant-traders accumulated capital surpluses, Canada as a whole began to experience, after 1815, the serious problem of a capital shortage. Until 1815 the provision of capital was not a problem. The decline of the fur trade was one reason contributing to this problem; but, as Charles Pentland argued, the problem went much deeper:

...the basic cause of the doldrums, the famine of capital, that plagued Canada after 1815 goes much deeper. The fact is that a structural change was beginning, a change from a sea-coast economy of surface exploitation to an integrated continental economy; and the capital requirements of the new economy were very different from the old.

---


4 Ibid., p. 460.
What was needed in order to develop the Canadian economy was long-term, fixed capital, "the horror of the mercantile community". The merchant-traders, however, were hesitant to risk their capital outside of trade and commerce. They channelled their capital into land speculation, not agriculture, which would mean a long-term commitment, into import/export operations, and naturally enough, into transportation. The partners of the Northwest Company, for instance, were prominent in the promotion of the Lachine Canal, and later, in the development of banking and railways. Local capital accumulation, however, was not enough to meet the requirements: the stalemate of the 1830s was rescued by the importation of English financial capital. Capital imports into Canada equalled $25 million between 1827 and 1838; $35 million between 1841 and 1849; and $100 million between 1850 and 1859. Almost all of this capital flowed into the financing of the colonial infrastructure; an infrastructure that was designed to facilitate the movement of staples within the imperial nexus.

The construction of the early canals, like the building of the railways in the 1850s, was designed to attract the agricultural exports of Upper Canada and the American mid-west to Montreal and the St. Lawrence route. Canada, encouraged by British preference on colonial wheat, flour, and timber, had committed her energy and resources to the construction of an expensive system of canals. The attempt to place the St. Lawrence at

---

5 Ibid.

6 see, Myers, The History of Canadian Wealth, pp. 150-217.

the center of a great imperial trading system, however, eventually failed. The commercial system of the St. Lawrence was based on the production and export of grain and timber within the context of British mercantilism. The maturation of industrial capitalism in Britain and the rapid growth of industry in the United States, however, appeared to remove the very foundations upon which the St. Lawrence economy had been built. The construction of railways in the United States and the passing of the Drawback Acts by the American Congress threatened to divert the trade of Western Canada and the American mid-west through American transport routes. The most severe blow to the commercial system of the St. Lawrence, however, came with the repeal of the Corn Laws.

The collapse of the economy of the St. Lawrence, coupled with a worldwide cyclic depression in the late 1840s, was manifested politically in the renewed agitation for amalgamation with the United States, particularly by the merchants and financiers of Montreal. The Annexation

---

8 By 1850 over 9,000 miles of railroad track had been laid in the U.S., whereas only 66 miles had been laid in Canada. Easterbrook & Aitkin, Canadian Economic History, p. 295.

9 Gilbert N. Tucker argues that the depression of the late 1840s was world-wide in scope and was not the result of tariff adjustments: "The Province..., from 1846 to 1850, was suffering from an ordinary cyclic depression. This was the basic cause, and the principal one, of the dis-tempers of those troubled years. The change in imperial policy and the difficulties accompanying the readjustment of trade which resulted, the failure of the waterway, and the famine migration of 1847...these things merely aggravated a malady which existed independently of them, and which would have occurred had they been absent" (G. N. Tucker, The Canadian Commercial Revolution, 1845-1851 (Toronto, McClelland and Stewart, 1964), p. 159).

10 "Where your treasure is, there will your heart be also". For a discussion on Annexation see, G. A. Hallowell, "The Reaction of the Upper Canadian Tories to the Adversity of 1849: Annexation and the British American League", Ontario History, LXII (March, 1970); Arthur G. Penny, "The Annexation Movement, 1849-50", Canadian Historical Review, V (September, 1924).
Manifesto of October, 1849, however, received little support outside of the Montreal area, and the movement was short-lived. Prosperity began to return in the winter of 1849-50; trade with the United States increased, and most important, British capital became available for development in British North America. But while the annexation movement failed, the breakdown of the Old Colonial System irrevocably changed Canada's economic orientation. The Reciprocity Treaty of 1854 marked the beginning of an increasingly continental orientation in Canada's economic development. As Donald Masters argues, "...the desire for reciprocity was a projection of colonialism. Having relied on a projected British market and lost it, the colonists now hoped to lean on the United States market". 11

(C) The 1850s: Railways and Industry

A continental orientation in the development of trade, as symbolized by the Reciprocity Treaty, was one element in the process of readjustment to the changed economic conditions in Britain and the United States. The merchant class of Canada wanted to further develop the trade in foodstuffs and natural products with the United States, and Reciprocity satisfied the grain and timber interests of Upper Canada in this regard. The cyclical return to prosperity which began in the early 1850s, however, reduced the sense of panic and Reciprocity no longer appeared to be the only alternative to ruin. Canadian capitalists continued to promote and to invest in the transportation route of the St. Lawrence. It was

---

11 Donald Masters, "Reciprocity, 1846-1911", The Canadian Historical Association Booklet, Number 12 (1965), p. 3. Also see, D. C. Masters, The Reciprocity Treaty of 1854 (Toronto, McClelland & Stewart, Carleton Library Number 9, 1963).
hoped that the construction of railways, complementing the waterways and canal system, would prove successful in regaining some part of the trade in grain exports from the American mid-west. The strategy involved lowering the costs of the St. Lawrence route and in converting the seaports of the maritimes into year-round outlets for the western trade. The Grand Trunk, chartered in 1853 and backed by powerful English capitalists, was the most important railway project started in the 1850s. It was planned to strengthen the trading system of the St. Lawrence, but like the canal system, the attempt to capture the American mid-west trade eventually failed; by 1860 the Grand Trunk was virtually bankrupt.

The Grand Trunk, and the other railways initiated during the 1850s, failed in their main purpose, but the building of railways had profound effects on the pace and direction of Canadian economic and political development, and most important for our study, on the nature of Canadian expansionism. The railway construction of the 1850s produced a great economic boom typical of a period of rapid capital formation. The capital imports to Canada financed the construction of facilities indispensable to the production and export of staple products. Capital imports, however, also had the indirect effect of stimulating the growth of local manufactures and a home market: iron foundries, locomotive shops, rolling mills and small-scale consumer good enterprises appeared during this period. But what must be remembered is that the emergence of an infrastructure that could give rise to "external economies" does not necessarily

12 Easterbrook & Aitkin, Canadian Economic History, p. 293.

13 Stanley Ryerson writes: "Railways in British North America served both as an instrument of colonialism—extracting raw materials and semi-
result in increased investment and economic growth; for improvement of
the conditions for investment to occur, socio-economic development making
for the possibility of a transition to industrial capitalism must also
result, otherwise the existing social and economic structure will be
maintained. As Paul Baran writes:

For it is not railways, roads, and power stations
that give rise to industrial capitalism: it is the
emergence of industrial capitalism that leads to the
building of railways, to the construction of roads,
and to the establishment of power stations. 14

In Britain industrialization preceded railways; and in the United
States, while not being an industrialized nation before 1840, railways
nevertheless coincided with nascent industrialization—the Civil War
finally removed the political and institutional fetters upon industrial
capitalism. Canada, on the other hand, was very much an agricultural and
commercial economy in the 1850s; it was an economy based on commerce and
staple production. Foreign capital imports did not encourage industrial
growth, but benefited the merchants and financiers who profited from the
processed products required by the metropolis—and as engines of indus­
trialization, stimulating the growth of local manufactures and of a home

Commenting on the role of capital in Canadian economic development,
H. C. Pentland argues that the development of the transportation system
in general had important unintended effects: "The canals and railway
systems, designed to intensify staple production and inter-continental
division of labour, had precisely opposite effects in the end. They re­
presented, first, a commitment of fixed capital, overhead costs, and per­
manent staffs, that are the essence of metropolitan economies. By inte­
grating the Canadian market, they opened the way for Canadian manufactures
to conquer it. Most important, the inflow of foreign capital into Canada
made it possible at the second and third remove for Canadians to amass
funds which could be invested in new enterprises" (Pentland, "The Role of

14 Paul A. Baran, The Political Economy of Growth (Middlesex, England,
financing, exploitation and movement of staples. In Canada, capital imports financed "external economies" to merchant capital. There was no inducement or opportunity to invest in native industry; manufactured goods were supplied from abroad. The market for manufactured goods in Canada was not part of her internal market, but was an appendage of the internal market of Britain, and after 1850, and to an increasing extent, of the United States. Domestic capital accumulations were not channelled into industrial pursuits. This is not to say that local industry was totally absent; railway construction stimulated industrial growth, as Stanley Ryerson points out, but it was an industry dependent upon the maintenance of the existing social and economic structure. The manufactures that were established developed within the limits determined by the mercantile elite, an elite that preferred commerce to production. Manufacturing entered those activities that were complementary to merchant capital (e.g., rolling stock, ship building), and the export-oriented elite had nothing to fear from such enterprises.

(D) The Canadian Ruling Class and Westward Expansion

The ruling class in pre-confederation Canada was based on commerce and the State. An examination of the inter-connections between the political figures of the day and railways, insurance companies, banks, land companies and other commercial activities substantiates this point. Nine of the directors of the Grand Trunk, for example, were members of the government, and five of these were Cabinet Ministers.\(^{15}\) As R. T. Naylor

\(^{15}\) R. G. Trotter, Canadian Federation (Toronto, J. M. Dent & Sons, 1924), p. 165; Ryerson, Unequal Union, p. 247. For a list of some charters issued by the Canadian Government to sitting legislators during the period of 1845 to 1848, and for a compilation of the business activities
writes:

The list of eminent financiers and railwaymen of the period is a veritable "who's who" of Canadian politics for two generations. And without exception, the linkage runs from merchant capitalism to finance, transportation, and land speculation.\(^{16}\)

The most powerful group of Canadian capitalists were located in Montreal; they were centered within the Grand Trunk and the Bank of Montreal group. They thrived within the orbit of English financial capital, and their interests as railway promoters and contractors were interlocked with their interests in commercial activities such as merchandising, ship building, import/export operations and banking.\(^{17}\) Emerging indigenous industrial capitalists, "such as the Gooderhams (distillers), the Molsons (brewers), Ogilvie (flour mills); the Paxtons (Montral Steam Cooperage, 1857), Warden King iron founders (1852)\(^{18}\)" were also members of the "new ruling class"; but these industrial capitalists, concerned with preventing the emergence of competitors in their markets, looked with favour upon the absorption of capital in the sphere of circulation.

\(^{16}\) Naylor, "The Rise and Fall of the Third Commercial Empire of the St. Lawrence", in G. Teeple (ed.), Capitalism and the National Question in Canada (Toronto, University of Toronto Press, 1972), p. 17.


\(^{18}\) Ryerson, Unequal Union, p. 276.
The control of the economy and the State rested securely with the commercial group. The merchants of Montreal derived their profits from commerce and staple production, and their interests were in the expansion and the prosperity of these activities.

The merchants and traders of Montreal, however, were not the ones who most strongly voiced the issue of westward expansion in the 1850s; this role fell to the capitalists centered in Toronto. Toronto demanded the annexation of Rupert's Land because it wanted to preserve the area as its own hinterland. George Brown, the editor of the Globe, and the spokesman for the agricultural and commercial interests of Toronto within the general capitalist interests, had as early as 1850 denounced the occupation of the Northwest territories by the Hudson's Bay Company. 19 Throughout the 1850s, Brown and the Globe took the lead in agitating for the removal of the Company's monopoly in Rupert's Land and for the opening of the territory to Canadian settlement and commercial development. By 1857, the Upper Canadian Reform Party, of which Brown was the leader, adopted as one of its main planks the acquisition of the Northwest. 20 In a speech delivered in the late 1850s, Brown declared:

Sir, it is my fervent aspiration and hope that some here tonight may live to see the day when the British American flag shall proudly wave from Labrador to Vancouver Island, and from our own Niagara to the shores of Hudson Bay. 21

19 Galbraith, The Hudson's Bay Company as an Imperial Factor, p. 334.


Four years later, Brown wrote in the Globe:

The opening up of the country belongs not to Great Britain but to those who will benefit by it, to Canada...

It is an empire we have in view and its whole export and import trade will be concentrated in the hands of Canadian merchants and manufacturers if we strike for it now.22

The Toronto Board of Trade, which had "a certain official recognition as spokesman for Toronto business",23 was also strongly urging the development of the Hudson's Bay Company's lands. The board was dominated by wholesalers and merchant traders,24 and its primary objective was to further the conditions for development.

Above all, the board desired further development, and it supported all projects which it thought would add to Toronto's hinterland and tighten its control over it.23

The board's enthusiasm for opening the Northwest to settlement and commerce was stated in a petition of 1857:

With the advantage of the Canadian constitution extended to its most distant settlement, and the civilizing influence commerce spreads over it, who shall limit the future greatness of this noble country, with its Eastern boundary resting on the Gulf of St. Lawrence or the Atlantic Ocean, and extending West to the Pacific...26

---


24 "The board was very much an organization of traders. Trade, of course, was the primary way to fortune in Toronto; relatively few other avenues to wealth and business and social leadership existed" (McCalla, "The Commercial Politics of the Toronto Board of Trade", op. cit., p. 53).

25 Ibid., p. 55.

26 Ibid., p. 57.
And in 1859 the board declared:

Canada must become at no distant day, the great highway of inter-oceanic traffic and travel between the eastern and western hemispheres.... A magnificent future is in store for a country that has the means of connecting the trade of the eastern world with that of civilized Europe. 27

The merchant capitalist of Toronto wanted to dominate the trade of the Northwest and to develop their own commercial trading empire, but they lacked both capital and political influence. Toronto's capitalist attacked vigorously what they considered the undue influence of Montreal and the Grand Trunk. The Toronto Board of Trade, for example, attacked the Grand Trunk for discriminating against the commercial interests of the region; the board was not opposed to railway development, but as McCalla said: "The board wanted the Grand Trunk, but only to extend Toronto's Canadian hinterland...". 28 Toronto's opposition to the Grand Trunk was a symptom of their subordinate position within the Canadian economy and politics. The efforts of Galt and the Bank of Montreal to monopolize credit facilities 29 and the efforts of the merchants of Montreal to compel Upper Canada to deal exclusively with them went hand in hand with their fight against the Grand Trunk. 30 Brown spoke an element of truth when he wrote: "The Grand Trunk Railway governs Canada at the

---

27 Ibid.

28 Ibid., p. 56.

29 The board advocated "free trade in money", displaying their desire to attract capital, and opposed the repeal of the 1850 Free Banking Act. See, Ibid., p. 60.

present moment. Its power is paramount". 31

The capitalists of Montreal, as we have already mentioned, were absorbed in attempting to recapture some part of the export trade of the American mid-west. Their energy and attention was focused in that direction, and throughout the 1850s, agitation for opening the Northwest to capitalist development remained the "special province" of George Brown and the commercial interests of Toronto. The Canadian Government manifested relatively little interest in the question of Rupert's Land, and in the early stages, the pressure against the Hudson's Bay Company emanated almost exclusively from Great Britain. In 1857, the Canadian government did send delegates to argue Canada's position before the Select Committee on the Hudson's Bay Company, but the motive for doing so appeared to rest on political expediency, rather than on genuine interest. As Galbraith writes:

The MacDonald-Cartier government considered it expedient to support the campaign rather than allow Brown and the opposition to claim the credit for being the exclusive spokesmen of the agrarian West, but it had little genuine interest in the annexation of all or part of Rupert's Land. 32

The Canadian representatives who did appear before the select committee were chiefly men interested in transportation. John Ross, for example, was a member of the Canadian Parliament and the President of the Grand Trunk. 33 Ross brought the idea of a transcontinental railway line,

31 cited in ibid., p. 50.

32 Galbraith, The Hudson's Bay Company as an Imperial Factor, p. 343.

33 Ross was a member of the executive, speaker of the legislature and Solicitor General, and he was involved in the New Brunswick & Nova Scotia Railroad, the Niagara District Bank, the Grand Trunk Railway, and the Bank of Canada (Clement, The Canadian Corporate Elite, p. 382).
wholly within British territory, to the forefront of discussion. He advo-
vocated an extension of the Grand Trunk system to the Pacific; he envi-
saged a great commercial trading empire that would link England to the
Pacific and draw the trade and commerce of China and the Far East over an
all British route to Europe.

We desire to have it carried across the continent, believing that it will be for the interests both
of the Imperial and of the Canadian Government; and we think that the trade with China and India
might be drawn over that line of communication. 34

Bur Ross had added that the question of a transcontinental railway was
"more an imperial question than a colonial one". 35 In general, however, the
Canadian Government's moderate representation 36 at the hearings of the
Select Committee had indicated that it was not prepared to take over the
administration of the West, and indeed, it had displayed little interest in
seriously pursuing the question. As Galbraith said: "By the end of 1857 the
position of the Hudson's Bay Company appeared to be stronger than it had
been before the select committee of the House of Commons began its pro-
ceedings". 37 The attitude of the Canadian Government, and of the merchants
and financiers of Montreal, toward the economic possibilities of the West,
however, changed dramatically in the late 1850s and early 1860s.

34 cited in Trotter, Canadian Federation, p. 240.


36 "The Globe itself saw the cautious government stand more and more
as a betrayal of Canadian interests to the Hudson's Bay Company and Sir
George Simpson, and as further evidence of the domination of the Tache-
MacDonald ministry by the French..." (Morton, The Critical Years, p. 35).

37 Galbraith, The Hudson's Bay Company as an Imperial Factor,
p. 345.
The "hectic" prosperity of the early 1850s, based on the massive infusion of British capital, Reciprocity and Crimean War came to an end in 1857. Prices began to fall in Britain in 1856, and in August of the next year, the Ohio Life Insurance and Trust Company in the United States collapsed, marking the beginning of a world-wide economic depression. The financial crisis not only brought to Canada unemployment, bankruptcies, and a collapse of the land speculation boom, but it also signalled the end of any important influx of British capital for 20 years. Only 490 of the 2,093 miles of railway track laid in the 1850s were put down in 1857, and between 1860 and Confederation, only 213 miles were added to the total.\textsuperscript{38} But most significant of all, it became abundantly clear that the transportation system of the St. Lawrence had failed to capture the export trade of the American mid-west. Between 1855 and 1860, an average of 27,500,000 bushels of Canadian grain were exported to the United States, but it was shipped \textit{via} Buffalo and Oswego, whereas only 672,625 bushels were shipped by way of Canadian ports.\textsuperscript{39} Montreal was bypassed, and both the Grand Trunk Railway, and the Canadian Government, were in serious financial trouble.

The Canadian Government was burdened by the financial obligations it had incurred to the railway companies and their investors, and throughout


\textsuperscript{39} Easterbrook & Aitkin, \textit{Canadian Economic History}, p. 318; Masters, \textit{The Reciprocity Treaty}, Table N. XI, p. 150, also see pp. 120-125.
the 1860s, A. T. Galt and the Government's agents in London struggled to maintain provincial solvency and a good credit standing. The entire public debt of the province had climbed to more than $58 million in 1860, and over the next seven years the national debt nearly doubled; in 1867 it amounted to $93 million. Government assistance to the railways accounted for the greatest portion of this debt. The total financial aid extended to the railways under the Guarantee Act and Grand Trunk Legislation equalled about $33 million; and another three million pounds was added through the vehicle of the Municipal Loan Fund Act. The Grand Trunk was the chief beneficiary of government aid: by 1867 the total indebtedness of the Grand Trunk to the Government of Canada amounted to about $26 million. This amount was never repaid, and in effect it represented, like the aid extended to other railway companies, an outright subsidy. During the crisis of the late 1850s, the revenues of the Province were so reduced that it was forced for the first time, despite the spirited opposition of British and American manufacturers, to place a tariff on manufactured goods entering Canada in 1858.

The Grand Trunk, from its very inception, received extensive financial aid from the Government of Canada. In 1852 Hincks had gone to London in the hope of obtaining a guarantee from the Colonial Office for the Grand Trunk Railway, but instead of getting a British guarantee for Canadian promoters, a Canadian guarantee was eventually given to British capitalists. The Grand Trunk ran into trouble soon after construction began:


\[41\] Easterbrook & Aitkin, Canadian Economic History, p. 314, 316.

\[42\] Ibid., p. 309.
land speculation, inflated wages, poor construction, heavy expenses, and inadequate traffic returns made the railway less than a profitable venture. In 1855 the Grand Trunk was unable to pay interest on its bonds, and the Canadian Government came to the rescue with a loan of 900,000 pounds; and in the next year, an Act was passed granting additional aid to the railway. The finances of the Grand Trunk and the Government of Canada remained firmly intertwined from this point onwards.

Baring Brothers and Glyns, Mills and Company were the major financiers of the Grand Trunk, and of the Province of Canada, and all of the British capital raised for Canada during the three decades following Durham Report was raised by these two powerful merchant banks. Barings and Glyns were continuously advancing funds to tide over the Grand Trunk and to sustain the credit of the Province. Temporary loans pulled the Grand Trunk through the panic of 1857 without bankruptcy: "But the problem was, in the face of mounting misfortune across the Atlantic, to maintain confidence in Canada on the London stock markets so as to raise money at a price which was not exorbitant". In November, 1857 Glyns wrote Galt that it was "out of the question attempting to move any of the Grand Trunk Securities in this market". And in a letter to John Ross, Solicitor-General of Canada and President of the Grand Trunk, Glyns went so far as

---

43 Barings and Glyns were the joint financial agents for Canada between 1837 and 1892, see, Glyns, Mills & Company, "The Canadian Financial Agency", The Three Banks Review (March 1966, no. 49), pp. 29-40.

44 Roger Fulford, Glyn's 1753-1953; Six Generations in Lombard Street (London, MacMillan & Co., 1953), p. 149. Cf. Denison, Bank of Montreal, Vol. II, p. 81: "But so unsophisticated were the fiscal arrangements of the government that the concentration of debt, unfavourable trade balances, and the sorry earnings performance of both the railways and the canals made Canadian railway debentures unsalable in London, while the frequent issue of provincial securities had already made Baring Brothers strongly doubt that they would be able to maintain their price much longer".

45 cited in ibid., p. 154.
to suggest that the Government of Canada take over the whole of the railway by paying off the stockholders by debentures. But despite special loans from the province and the English Board of Directors, including personal loans by Thomas Baring and George Glyns, the finances of the Grand Trunk, and of the province of Canada, grew steadily worse. The finances of the railway company were "irretrievably compromised": by 1860, the Grand Trunk had a floating debt of $12 million, and its total indebtedness, including provincial debentures, totalled almost $60 million. Baring's and Glyns' continued to raise capital for the completion of the Grand Trunk. In 1860, they bought out a 2,800,000 pound loan "...which was used to bring a measure of order into the then thoroughly confused finances of the province". But by the end of the year, the loans by the two merchant banks were so large that special legal action to claim the priority to the rolling stock was taken. Loans from Baring's alone equalled $1,867,650 by the end of 1860, and Glyns' liability, by the end of 1862, totalled 736,000 pounds. It was no wonder that the Grand Trunk Railway "was to Glyns and Barings only 'Grand' in the scale of the worries it brought and the money it locked up over a long period of time".

47 Easterbrook & Aitkin, Canadian Economic History, p. 309.
49 Ibid., p. 473.
50 Fulford, Glyns', p. 155.
It was within this context that the commercial interests of Montreal, who had derived little advantage from the Reciprocity Treaty, and British financiers, who were concerned with the security of their investment in the railways, began to urge Confederation and westward expansion as a solution to their financial troubles. In 1858, Cartier, Galt, and Ross traveled to London in an attempt to generate Imperial aid and support for the completion of the Intercolonial Railway, for the annexation of the Hudson's Bay Company's territories and the opening of communications to the Pacific, and for a conference to negotiate federation. The Canadian mission, however, failed to achieve a guarantee for the railway, the question of Rupert's Land remained unsettled and the Colonial Office displayed a marked

52 The Canadian Legislature earlier in the year passed the following resolution: "In view of the speedy opening up of the territories now occupied by the Hudson's Bay Company, and of the development and settlement of the vast regions between Canada and the Pacific Ocean, it is essential to the interests of the Empire at large, that a highway extending from the Atlantic Ocean westward should exist, which should at once place the whole of British possessions in America, within ready access and easy protection of Great Britain, whilst, by the facilities for internal communication thus afforded, the prosperity of those great dependencies would be promoted, their strength consolidated and added to the strength of the Empire, and their permanent union with the Mother Country secured" (cited in Trotter, Canadian Federation, p. 259).

53 The Globe described the Cartier-Galt-Ross mission of 1858 in the following terms: "They are notoriously connected with the Grand Trunk Railway and more especially with its contractors who will be chiefly benefited by the extension of that work to the Lower Provinces; and he must be blind (Lytton) indeed if he cannot see that the sudden love of confederation is far more the result of the necessities of the railway than of a desire to promote the welfare of British America" (cited in Underhill, "Some aspects of Upper Canadian Radical Opinion", op. cit., p. 56).
indifference to the proposal for a federal union. The attitude of the Imperial government changed, however, in the early 1860s; by 1862 the Colonial Office supported federation. Constitutional deadlock, the supposed necessity of defense against American aggression (The Trent Affair occurred in 1861, and in the following year the American Civil War started), and the change of government in Britain (Newcastle became Colonial Secretary) are reasons that are often put forth to explain this shift in attitude. But a more fundamental reason for the change can be found in the pressure exerted in Britain by English financial capital. R. G. Trotter writes:

...federation found strong support from men in Britain, of extensive interests and powerful influence, who welcomed it because they believed that it promised for British North America the political stability and economic security without which existing enterprises must remain in jeopardy, and future developments be limited and uncertain.54

The economic advantages of confederation were many. The establishment of a strong state structure with centralized control over all fiscal and financial matters, currency and banking, and trade and commerce generally would greatly strengthen Canadian credit55 and facilitate the acquisition of Rupert's Land and westward expansion. The consolidation of


55 Canada's credit standing was at a very low ebb in the 1860s. The provincial debt continued to grow, and the province faced one of its numerous financial emergencies in the summer of 1864. The Bank of Montreal became the only source to which the government could turn for sterling exchange required to maintain credit in London. One month after the Quebec Conference, Galt, who was continually trying to maintain provincial solvency, was forced to take out an additional "temporary" loan from the Bank of Montreal; by the end of 1864, the total government indebtedness to the Bank was $2,500,000. See, Denison, The Bank of Montreal, Vol. II, pp. 130-36.
the economies of the British North American colonies would open up a larger market, but more important, a big union would have sufficient credit to undertake the construction of railways to the two sea-coasts. It was through such a program of railway expansion that British capital sought to save its investments.

In 1861, Edward Watkins was appointed "Superintending Commissioner with full powers" of the Grand Trunk, and with the blessing of Baring's and Glyns', was sent to Canada to untangle the railway's financial troubles. Watkin's solution was simple: extend the railway to the Pacific. In 1860, he wrote:

The Grand Trunk, both as regards its length, the character of its works and its alliances with third parties, is both too expensive and too expansive for the Canada of today and, left as it is, dependent mainly upon the development of population and industry on its own line and upon the increase of the traffic from the west, it cannot be expected for years to come, to emancipate itself thoroughly from the load of obligations connected with it.

The way (to make a great success in a short time)...to my mind lies through the extension of railway communication to the Pacific. Try for one moment to realize China opened to British commerce, Japan also opened, the new gold fields in our territory to the extreme west and California also within reach, India, our Australian colonies.

Try to realize...a main through railway from the shores of the Atlantic to the Pacific...The result to this Empire would be something to distinguish the age itself (and he adds almost incidentally); and the doing of it would make the fortune of the Grand Trunk...

The enterprise could only be achieved by the co-operation of the two governments and by association with the railways enterprise some large land scheme and scheme of emigration.56

56 cited in Trotter, Canadian Federation, pp. 180-81. Also see, E. W. Watkins, Canada and the United States, Recollections 1851-1886 (London (1887)).
The long distance imperial and far eastern trade, drawn across British North America, was the whole reason behind the design for a transcontinental railway. As Watkins said in 1861: "Whatever nation possesses that highway, must wield of necessity the commercial sceptre of the world". The Grand Trunk had failed to capture the trade of the American midwest, but in the Northwest, American rivalry would not be a factor.

Watkins, acting in the interest of the Grand Trunk, and more generally, as the liaison between English and Canadian capitalists and the Colonial Office, continued to promote the Intercolonial Railway project, the securing of communications across the west, and the proposal for the union of the colonies. In 1862, the British North American Association was established in London. It brought together and coordinated a number of powerful English capitalists; Watkins was appointed as its representative.

The avowed purpose of the Association was to spread information on Canada and to persuade the British Government that railroads and other communication facilities in British North America served an important Imperial function. The real object, however, was to further collaboration between

---


58 The Association included Thomas Baring and George Glyns, as well as representatives from other powerful merchant banks in London, such as M. Rothschild & Company, Alexander Gillespie and other directors of the Bank of British North America, Lloyd's and others; Robert Benson of the North West Transit Company; directors of the Trust & Loan Company of Upper Canada; Samuel Cunard; directors of the Canada Company; J. N. Berens, Governor of the Hudson's Bay Company; officials of the Electric and International Telegraph Company; and Newcastle, the Colonial Secretary, was behind it. See, Trotter, Canadian Federation, p. 193; Rich, Hudson's Bay Company, p. 828; Galbraith, The Hudson's Bay Company as an Imperial Factor, p. 369.
British and Canadian capitalists and to influence the British Government to provide financial aid for the Intercolonial railway project.\footnote{59} The Intercolonial would connect the Grand Trunk system of the St. Lawrence with the Maritime Provinces, and a year-round ice-free port would facilitate inter-provincial trade. The impending abrogation of the Reciprocity Treaty and the threat by the Americans of abolishing the bonding privileges increased the expected economic advantages—especially for the merchant class of Montreal—of the proposed federation and railway.\footnote{60}

The Intercolonial would also complete the imperial trade nexus, linking the Pacific to the Atlantic, and through the increase in traffic, make the Grand Trunk, and the commercial system of the St. Lawrence, an economic success. The promoters of the Intercolonial, however, were unable to secure further government assistance under the existing circumstances, and in order to achieve this end, English financial capital threw its full weight behind confederation. As Dorion suggested in the Parliamentary Debates on Confederation:

\begin{quote}
...the Confederation of all British North American Provinces naturally suggested itself to the Grand Trunk officials as the surest means of bringing with it the construction of the Intercolonial Railway. (Hear, Hear, and laughter. Such was the origin of
\end{quote}

\footnote{59} Galbraith, \textit{Hudson's Bay Company as an Imperial Factor}, p. 369.

\footnote{60} Galt wrote: "The present state of the case is that Canada is at this moment at the mercy of the American Congress for the continuance of her trade between December and June....The repeal of the American Bonding Laws would at once arrest the whole commerce of the province....The only security we have...lies in the value of our trade to their railways---we have none in the policy of their government. Canada has no other interest in the Intercolonial Railway than to be forced from a painful state of subordination to the United States..." (cited in O. D. Skelton, \textit{Life and Times of Sir A. T. Galt} (Toronto, Oxford University Press, 1920), p. 245).
this Confederation scheme. The Grand Trunk people are at the bottom of it; and I find that at the last meeting of the Grand Trunk Railway Company, Mr. Watkins did in advance congratulate the shareholders and bondholders on the bright prospects opening before them, by the enhanced value which will be given to their shares and bonds, by the adoption of the Confederation scheme and the construction of the Intercolonial as part of the scheme.61

The intercolonial was not the only project that absorbed Watkins' energy. In 1863, the International Financial Society purchased the Hudson's Bay Company.62 At the center of the purchasing group was Watkins, and behind him stood Newcastle, though he had no financial interest in the transaction. Watkins' initial zeal for a railway to the Pacific gave way to the more immediately feasible project of a road and telegraph. In 1862, the Atlantic and Pacific Transit and Telegraph Company was formed, but Watkins, unable to solicit financial assistance from the government, or a grant of land in aid of construction, opened negotiations with the object of purchasing the Hudson's Bay Company.63 Behind the transcontinental scheme stood English financial capital, especially George Glyns and Robert Benson: the telegraph project and the purchase of the Hudson's Bay Company offered good investment opportunities. In Canadian politics,
MacDonald, Cartier, and the Grand Trunk interests "gave their blessing to the new venture as an escape from the prospect of westward expansion under the vigorous frontier policy of George Brown and the 'Clear Grits'". When the shares of the reorganized company were floated on the open market, "it offered as the major inducement to investment the lure of lucrative returns from land sales". The new company, however, failed to live up to its prospectus, which emphasized settlement and colonization, and besides irritating a large number of investors, the Hudson's Bay Company continued to exist much as it had in the past. One factor did change, however: "The Company's stock had quadrupled in value, and the price required to purchase the Company's rights had consequently increased".

(3) Conclusion

The future of British Columbia, like the question of Rupert's Land, cannot be isolated from that of Canadian federation. The entry of British Columbia into the federal union has its roots in the drive by English financial capital, in alliance with the merchant and financial interests


64  Martin, "'Dominion Lands' Policy", op. cit., p. 217.


66  "But many features of the organization suggested stocks rather than settlement" (Martin, "'Dominion Lands' Policy", op. cit., p. 217).

67  Galbraith, Hudson's Bay Company as an Imperial Factor, p. 390.
of Montreal, to create a unified commercial system within the context of British imperialism.

Confederation was the work of a few British investors in colonial securities and a handful of Montreal wholesale merchants and financiers who created the Canadian state in their own image. As commercial capitalists they created a commercial state to further their class interests...68

The new strategy was "one of mercantilism, of consolidation and expansion within a strong state structure".69 The acquisition and development of a western hinterland was an integral part of this strategy, and Confederation, with a strong central government, was expected to strengthen Canada's international credit standing, as well as to promote inter-provincial trade for a strengthened local market. As Harold Innis said:

Federation was a device to secure ample supplies of capital for the construction of railways from the Atlantic to the Pacific in a region handicapped by concentration on staples such as fur, timber, and agricultural products and without an iron and steel industry. 70

Confederation granted the central government all those powers required to promote and stimulate economic development. 71 As one student of history has written:


70 Innis, Essays in Canadian Economic History, ed. by M. Q. Innis (Toronto; University of Toronto Press, 1956), p. 313; also see Innis, "Iron and Steel, Wheat and Finance", in Problems of Staple Production in Canada (Toronto, 1933).

71 see, D. G. Creighton, "British North America at Confederation",
In economic terms Confederation was essentially an instrument of public finance whose object it was to make available to those responsible for effecting investment, the resources necessary for the unified economic development of the British colonies in North America. It was based on a fundamental project of economic growth.\textsuperscript{72}

VI THE ECONOMIC STRUCTURE OF COLONIAL BRITISH COLUMBIA

(A) Introduction

The economic structure of colonial British Columbia was completely different from the economic structure of England. The Province of British Columbia was born at the end of an unprecedented period of industrial growth in England, and this fact is crucial in the understanding of the economic and social development of colonial British Columbia. The dominant mode of production in England in the nineteenth century was that of industrial capitalism. The economic structure of colonial British Columbia, on the other hand, was not organized around industrial production, but was a colonial economy in the strict sense of the word. It was organized around the production and export of staple products: first sea-otter and other furs, and then with progressive intensity, gold, coal, timber and fish. The economy of British Columbia has not changed in its basic structure since the late colonial period; it has remained an economy centered around the extraction of natural resources. Today, as R. A. Shearer points out,

British Columbia produces a fascinating range of products for internal consumption and for export, and British Columbians engage in a correspondingly wide range of productive activities. And yet, throughout all of this diversity, there is a common denominator—direct or indirect dependence on the extraction of natural resources, particularly forest, mineral and water resources.¹

The basic structure of the economy, then, has not changed since the colonial period. It has become more complex and there has occurred marked shifts in the relative importance of certain staples, but essentially the economic structure has not altered over the last one hundred years. The capitalism

of British Columbia grew out of the colonial staples trade.

(B) The Dominant Staple

The economic structure of the Colony of British Columbia was very simple: it was an economy organized around the production and export of staple commodities. The production of fur, gold, and later timber, coal and other minerals, and fish products were the leading sectors of the economy and set the pace for development.

Three classes of industries can be seen at work in the economy. First, there was the basic industry concerned with the production of a staple for sale outside of the region. Fur was clearly the dominant staple up to the discovery of gold on the Fraser River in 1857. After that date, the production and export of gold dominated the economic activity of the region. Between 1858 and 1865 it was estimated that $18,503,411 worth of gold was exported. The total production of gold from 1858 to 1876 was estimated at $39,956,618. Gold production, however, began to decline after 1863, and in its place new staples were emerging that would eventually far outshine the lustre of gold. As early as 1852, 1,840 tons of coal had been shipped

---


4 Total gold production "increased from $750,000 in 1858, to $3,913,563 in 1863, and declined with fluctuations to $1,336,956 in 1870 and $1,786,648 in 1876. Ibid."
to San Francisco, and by 1869, nearly one-half of a total production of 40,883 tons was exported. Similarly, by the late 1860s sizable amounts of timber were being exported from the sawmills of Burrard Inlet to the countries of the Pacific Rim; and the export of fish products, while only amounting to $37,706 in 1872, was to climb into the millions of dollars by the late 1880s and early 1890s.

A second class of industry that was present in colonial British Columbia were the auxiliary or secondary industries that provided inputs or a service for the basic industry. A prime example of this type of industry would be the local manufacture of capital goods. This sort of industry, however, was not present in British Columbia. Most of the machinery used in the more capital-intensive phase of the mining advance, in the construction of sawmills, or in the outfitting of ships built in the region was imported either from London or San Francisco. By far the largest part of this category was made up of either other staple industries, industries that had not as yet developed to any great extent, or industries that provided a service, such as shipping and trade. The forest industry, for example, did not at first develop because of a demand created by an export trade. It initially developed to provide lumber for the construction of mining towns and in the manufacture of flumes and sluice boxes used in the extraction of

---

5 Ibid., p. 800.


7 British Columbia, Economic Council, Statistics of Industry in British Columbia, 1871-1934 (Victoria, 1935), Table 5, no page number. In 1894 the export of the products of the fisheries totalled $3,541,305.
gold on the Fraser River and in the Cariboo, and after the introduction of
shaft-mining in the Kootenay region, the timber used for pit props and bra­
ces. This situation was opposite to the case of the lumber trade in eas­
tern Canada, where the great metropolitan demand of Great Britain virtually
called into existence this hinterland product and dictated the quantity to
be produced and sold, and the price. Shipping and trade predominated
throughout the colonial period as the main auxiliary industries. There was
no great metropolitan demand that created a thriving industry based on a
staple other than gold. Much of the growth of lumber and coal exports in
the early period "was dependent on the search for a balanced cargo on the
part of vessels bringing in large quantities of goods for a mining community".

Merchandising and transportation, including the early development of banks
that emerged with the express business and the handling of gold-dust and
bars, were the primary indirect effect of the development of the gold staple.

The third class of industry that can be found in the Colony of British
Columbia were the industries involved in the production of goods and ser­
vices for the domestic consumer. Since the days of the fur trade, agricul­
ture has remained principally oriented to domestic consumption. This pat­
tern has remained the case to the present day, despite the fact that some
agricultural products are exported—notably apples and cattle. The Hudson's
Bay Company set up a separate company, the Puget's Sound Agricultural Com­

8 see, Harold Innis, Settlement and Mining Frontier (Toronto, 1936),
chapters v-vi.

9 A. R. M. Lower, Great Britain's Woodyard: British North America and
the Timber Trade, 1763-1863 (Montreal & London, McGill-Queens University

10 Innis & Lower, Select Documents, p. 797.
pany, to attempt to offset the high cost of transportation caused by the one-way traffic in furs. The restrictive limits imposed by the Hudson's Bay Company and the monopoly in agriculture and land by the Puget's Sound Company discouraged the development of an agricultural industry during the period of Colonial-Company-Rule. These restrictive limits were removed somewhat toward the end of the period, and this encouraged, in conjunction with the high prices in foodstuffs, investment in agriculture, di*aying and ranching. But these industries never managed to develop to the point where substantial amounts of capital were accumulated. Agriculture was a mere adjunct to the basic staple industries; it remained basically a provisioning industry. British Columbia relied on the importation of agricultural goods. The importation of wheat and flour from California and Oregon to Victoria contributed to a lack of development in the growth of cereals on Vancouver Island. 11 This did contribute, however, to the growth of breweries and distilleries around Victoria. "In 1870 it had 4 breweries and 2 distilleries and New Westminster had one distillery producing 300 to 400 gallons per month". 12 While British Columbia did export animal and animal products, such as wool and hides, these were essentially a by-product of the provisioning trade. 13

11 Ibid., p. 794.
12 Ibid., p. 795.
(C) Resource Extractive Economy

It is clear that of the three classes of industry, the basic staple producing industry was dominant. It was around the export base of the staple that economic development occurred. The auxiliary industries existed only to service the production and export of staple commodities. Some of these industries, notably the production of lumber and fish, did eventually become important staple industries in their own right. Manufacturing of inputs for the staple industries was very limited. While it is true that a small iron-works was established at Victoria in 1862, it was basically a small scale operation engaged mainly in ship building activities, and a very large number of capital goods continued to be imported. Shipping and transportation was an important subsidiary to the staple industry. Several companies, the Wells Fargo Express, Ballou's Fraser River Express, Jeffray's Express, and Freeman's Express, were engaged in transporting gold, and a number of companies and shipping firms were engaged in the lively provisioning and export trade. All of these industries, however, were subsidiary to the basic staple producing industry. The employment and income derived from the activity of these industries provided a market for consumer-oriented industries, but even here the instability of demand and the fluc-

14 J. M. S. Careless, "The Business Community in the Early Development of Victoria", op. cit., p. 115. Of a total of 17 steamers operating in and out of British Columbia in 1870, 9 had been built in Victoria, and of 28 schooners, 18 were built in Victoria (Innis & Lower, Select Documents, p. 800).

15 During the early 1860s a thriving industry engaged in the manufacture of mining equipment appeared in San Francisco. In 1861, 1,000 men were employed in this industry. See, Rodman W. Paul, California Gold, The Beginning of Mining in the Far West (Lincoln, University of Nebraska Press, 1947), p. 187. San Francisco dominated the manufacturing and trade in mining equipment not only in its own immediate hinterland, but also in that of British Columbia's.
tuations in employment discouraged development beyond that of a very simple kind.

The nature of the economic base can best be seen by looking at statistics on exports. As Table I indicates, nearly 75% of all exports in 1872 were products of the mines. Most of this was gold, but it also included some coal. The gold staple was the dominant staple throughout the 1860s,

TABLE I
Export of Commodities from British Columbia, 1872

<table>
<thead>
<tr>
<th>Products of Mines</th>
<th>United States</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$1,300,597</td>
<td>$1,389,585</td>
</tr>
<tr>
<td>Forest Products</td>
<td></td>
<td>214,377</td>
</tr>
<tr>
<td>Fish Products</td>
<td>11,409</td>
<td>37,706</td>
</tr>
<tr>
<td>Animal &amp; Animal Products</td>
<td></td>
<td>215,000</td>
</tr>
<tr>
<td>Manufactures</td>
<td>1,370</td>
<td>1,540</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>$1,858,050</td>
</tr>
</tbody>
</table>


and mining remained the basic industry par excellence until the early 1900s. In 1870 more than 2,300 men were employed as gold miners, this was considerably lower than the high point of 4,400 in 1864, but it still represented the largest employer in the region.

---

Mining continued to dominate the economy of British Columbia throughout the rest of the nineteenth century. By 1881 it was less important as an export in comparison to what it had been, but it still accounted for 60% of the total. During the same period, however, fish production had increased tenfold (see Table II on the following page). In 1882, 1883 and 1888 the export of fish products exceeded $1,000,000. And in terms of employment, the fishing industry equalled that of mining and agriculture: in 1881 between 2,600 and 2,800 persons were engaged in either mining, fishing or agriculture.17 Manufacturing also expanded during this period: 2,900 persons were employed in this field. It must be remembered, however, that the term "manufacturing" is in no way to be interpreted as a true secondary industry. Manufacturing was very much a subsidiary industry to the basic staple industries and was mainly involved in the low-level processing of staple products. This can be seen by the fact that of the 2,900 persons listed under this category, at least half were in "preserved articles of food", 400 persons were employed in sawmills, and the rest in small-scale manufacturing.18

Fur as a staple commodity was of negligible importance by the late 1880s, and gold had been displaced by the products of the fisheries in terms of value of production (see Table II). The production of placer gold had continually declined from the "boom-days" of the 1860s; by the end of the century, it was being replaced by the production of lode gold, which required a great deal more capital and organization than the relatively


18 Ibid.
TABLE II

The Value of Staple Exports From B.C., Selected Years; and The Total Value of Production of Minerals in B.C., Selected Years.

<table>
<thead>
<tr>
<th>Year</th>
<th>Products of Mines</th>
<th>Fish Products</th>
<th>Forest Products</th>
<th>TOTAL EXPORTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1872</td>
<td>$1,289,585</td>
<td>37,706</td>
<td>214,377</td>
<td>1,858,050</td>
</tr>
<tr>
<td>1881</td>
<td>$1,317,079</td>
<td>400,984</td>
<td>162,747</td>
<td>2,231,554</td>
</tr>
<tr>
<td>1891</td>
<td>$2,930,229</td>
<td>2,274,654</td>
<td>394,996</td>
<td>5,986,766</td>
</tr>
<tr>
<td>1896</td>
<td>$5,762,960</td>
<td>3,288,776</td>
<td>685,740</td>
<td>10,289,908</td>
</tr>
</tbody>
</table>

TOTAL PRODUCTION OF:

<table>
<thead>
<tr>
<th>Mineral</th>
<th>1870</th>
<th>1890</th>
<th>1892</th>
<th>1893</th>
</tr>
</thead>
<tbody>
<tr>
<td>Placer Gold</td>
<td>1,046,753</td>
<td>429,811</td>
<td>544,026</td>
<td>426,000</td>
</tr>
<tr>
<td>Lode Gold</td>
<td></td>
<td>1,244,180</td>
<td>4,725,513</td>
<td></td>
</tr>
<tr>
<td>Silver</td>
<td></td>
<td>4,000a</td>
<td>2,100,689</td>
<td>958,293</td>
</tr>
<tr>
<td>Copper</td>
<td></td>
<td>190,926</td>
<td>4,571,644</td>
<td></td>
</tr>
<tr>
<td>Lead</td>
<td>33,064b</td>
<td></td>
<td>721,384</td>
<td>1,069,521</td>
</tr>
<tr>
<td>Coal</td>
<td>119,372c</td>
<td>685,071c</td>
<td>3,087,291c</td>
<td>2,688,666d</td>
</tr>
</tbody>
</table>

Source: B.C., Economic Council, Statistics of Industry, Tables T 2, T 5, T 6, T 8, and M 2.

(a) $73,984 in 1890
(b) 1892
(c) 1870. Source: Gosnell, British Columbia Year Book (Victoria, 1901), p. 369.
(d) By 1900 coal production equalled $4,318,785. Ibid.
inexpensive and "individualistic" diggings of the placer gold era. Of even greater importance with regard to the mining industry, however, was the emergence of new staple minerals in the 1890s in the Kootenay and Boundary regions. As Table II shows, the production of silver, copper and lead (also zinc) increasingly captured a larger share of the total production of the mines.

Throughout the last third of the nineteenth century, the forest industry remained essentially a subsidiary industry to the staple-exports of the mines. The completion of the CPR in 1886, however, signalled the rapid expansion of this staple. The expansion of mining and shipping, the opening of the Prairie market, and the growth in population and of urban centers generated a great demand for lumber. In 1881 there were only 27 sawmills in British Columbia, by 1911, however, there were 224 firms operating in log products, employing more than 15,000 persons. Nevertheless, in terms of exports, forest products were still of minor importance in comparison to what they were to become. In 1896, for example, forest products accounted for only about 6% of the total exports from the province. This was to change by the early 1900s.

(D) Persistence of The Economic Structure

The basic staple industries dominated the economy of British Columbia in the colonial period. This pattern was maintained throughout the rest of the century and has continued to the present day. At the end of the colonial period the products of the mines, forest and fisheries accounted for approximately 88% of total commodity exports; in 1881 they accounted for about 84% of total exports; in 1891, 93%; in 1896, 94%; and as R.

Ibid.
Shearer points out, by 1961 these three basic staples still accounted for over 80% of all exports.  

The nature of the economic structure of British Columbia is even more apparent if we look at statistics on the distribution of the labour force. As Table III indicates, the most noticeable aspect of the economy over the last 100 years is the steady decrease, in terms of the percentage of the labour force, of those employed in agriculture and the staple industries. And conversely, the marked increase in the importance of the manufacturing and service sectors. These figures need to be inter-

---

interpreted. The decrease in the relative importance of agriculture and the increase in the relative importance of the service sector are not surprising. What needs to be explained is whether or not the increase in manufacturing is an indication of growing diversification and industrialization of the economy. The answer, on further examination, seems to be no. If the service sector is left aside, the greatest part of the increase in employment over the century has occurred in either the staple industries or in resource processing. The category "manufacturing" can be misleading. In relation to the economy of British Columbia, it is usually used to designate the low level processing of staple products. Examples of this type of resource processing are fish packing, sawmilling and the manufacture of plywood, the pulp and paper industry, and the smelting of primary metals such as lead, zinc and aluminum. These are the industries that dominate the "manufacturing" sector, and none of them can be considered true secondary manufacturing activities. Commenting on the contemporary economy of British Columbia, Shearer writes: "There is no evidence of true secondary manufacturing activities replacing resource-based activities in the economic base of the provincial economy".

(E) Conclusion

To sum up this chapter, then, it appears to be quite evident that the structure of the economy of colonial British Columbia was that of a colonial economy organized around the production and export of staple commodities. Staple exports were the leading sector of the economy and set the pace for development. It was around the export sector that development

---

21 Ibid., p. 15.

22 Ibid.
occurred. The most striking aspect of this development, however, was that
the impact of the export activity on the domestic economy and society was
limited to the growth of subsidiary industries directly dependent on
extra active activities. Colonial British Columbia was not an agricul-
trally based economy, nor has it ever developed a significant agricultural
sector. The geography of the region was obviously a limiting factor for
such development, but contrary to popular myth, as late as the 1950s, less
than 25% of the land classified as arable or potentially arable had been
developed as agricultural lands. Agriculture was, and has remained, es-
entially a simple provisioning industry oriented to domestic consumption.

With the exception of a few sawmills and some ship building activi-
ties, manufacturing was almost non-existent in the colonial economy, and,
the manufacturing that did develop over the next century was involved in
low level processing of raw materials. Other manufacturing that did em-
serve, such as food processing and printing, was of a small-scale nature
and oriented to the local market. In other words, the inducement to in-
vest in the home-production of inputs, including capital goods, for the
expanding export sector (backward linkage), and the inducement to invest in
industries using the output of the export industry as an input (forward
linkage) was very small. Investment that did occur was in the staple

---

23 "To this day, only 1,600,000 acres in the province have been de-
veloped as agricultural lands although 6,500,000 acres are classified as
arable or potentially so". Robert E. Cail, Land, Man, and the Law: The
Disposal of Crown Lands in British Columbia, 1871-1913 (Vancouver: Univer-

24 see, M. H. Watkins, "A Staple Theory of Economic Growth", in
W. T. Easterbrook & Watkins (eds.), Approaches to Canadian Economic
History (Toronto/Montreal: McClelland & Stewart, Carleton Library No. 31,
1967), pp. 53-55.
industries or in the expanding service sector.

So far we have been describing the surface characteristics of the economic structure of colonial British Columbia. These characteristics have been gleaned from statistics on production and exports at various points in time. This account has remained, however, at the level of description, and has, as yet, not attempted to analyze and explain the rise and evolution of the economic structure. This cannot be done until we have delved behind the surface appearance of this structure. We must now look at other aspects of the economy: the metropolitan network, the nature and structure of capital, the size and mode of utilization of the economic surplus, and ultimately the social relations that lie behind the outward form of capital. Such an examination will lead to an explanation of why British Columbia was eventually integrated into the new and expanding economy of Canada.
II BRITISH COLUMBIA AND CONFEDERATION

(A) Introduction

The logic of British Columbia's development had its roots within the international context of British imperialism. As we have seen, Great Britain was remarkably consistent in attempting to integrate the region into its own expanding economy. The British government used a variety of techniques to establish and maintain paramountcy in the area. In this chapter, I plan to examine the nature and character of British imperialism in the period following the discovery of gold on the Fraser River in 1857.

The discovery of gold brought the colonial rule of the Hudson's Bay Company to an end; after 1858 the two colonies of Vancouver Island and British Columbia, and between 1866 and 1871, the united colony of British Columbia, were directly administered by the Crown. It marked the period of direct colonial rule. It would be a mistake, however, to assume that the period of British colonial rule was simply an extension of the mercantilist policy of the Hudson's Bay Company, a policy that was geared to maintaining an artificially closed and monopolistically controlled trading system. The road to Confederation for British Columbia was paralleled by a shift in the economic structure of England from merchant to industrial capitalism. With the emergence of industrial capital, the old conception of empire, based on the alleged advantages of controlling imperial trade through the imposition of mercantilist restrictions, was replaced by a new one based on an international division of labour, with Great Britain exchanging manufactured and capital goods, financed by British loans and investments, for foodstuffs and raw materials. During the Hudson's Bay Company period, British expansion was primarily defensive in nature; whereas on the other hand, during the period of British colonial rule it was much more aggressive in character. British capital actively sought out
trade and investment opportunities. In other words, the massive growth of British industry placed new demands on British imperial policy. It was no longer a matter of controlling the exchange of surface staple products; the strategy involved converting underdeveloped regions into complementary hinterland economies.

Great Britain was able to maintain control over British Columbia and to preserve her strategic interests in the region not only because of outright political possession, but also because of capital investments and a significant British influence in trade, insurance, business personnel and finance. The Colony was part of the London-Liverpool metropolitan network. San Francisco did not exert the degree of power and influence that the lines of trade and communication would seem to suggest. In fact, San Francisco itself was a part of the London-Liverpool metropolitan network. During the 1860s and 1870s the Californian trade in wheat, as we will see, was a perfect opportunity for British economic imperialism. Britain was able to obtain a measure of commercial supremacy and monopoly through the techniques of capital and commercial penetration. As one historian has noted, San Francisco, and its surrounding hinterland, was almost a colonial appendage to Great Britain during this period. The strategy of integrating underdeveloped regions into Britain's own expanding economy was demonstrated both in the case of British Columbia and in the case of California; outright political possession ---important though it was in maintaining the British imperial connection--- was only a variable political function of an expanding industrialized British society. A triangle of trade and capital investment existed between Victoria, San Francisco and London, and through London to Montreal. The importance of this metropolitan network in tying British Columbia to Great Britain, and ultimately to Canada, will be demonstrated in this chapter.
(B) Gold and Commercial Capitalism

(i) Gold and Merchant Capital

The discovery of gold on the Fraser River in 1856-57, and the large influx of miners that began in April, 1858, completely transformed the pace of economic activity in the region. As Donald Creighton wrote: "Gold forced an artificial, hot-house growth; it supplied the energy of a powerful stimulant". It has been estimated that between 20,000 and 25,000 people arrived in Victoria in the spring and summer of 1858, and that 6 of every 100 left California in four months. The conditions in California

---

1 D. G. Creighton, "British North America at Confederation", Report of the Commission on Dominion-Provincial Relations (Ottawa, 1940), p. 32. Cf. H. A. Innis & A. R. M. Lower (eds.), Select Documents in Canadian Economic History, 1783-1885 (Toronto, University of Toronto Press, 1933), p. 791: "Gold is a commodity which is responsible for immediate response in economic activity and for tremendous efforts in moving commodities toward the mining area. Its exploitation is rapid, and depreciation of equipment essential to its exploitation in terms of agriculture, industry, and transport follows immediately. The effects on the community concerned are such as characterize an economic cyclone".

For some early accounts of the gold rush on the Fraser see, R. C. Mayne, Four Years in British Columbia and Vancouver Island (London, John Murry, 1862); Duthie, A Bishop in the Rough (London, 1909); F. W. Howay, The Early History of the Fraser River Mines (Victoria, 1926, Public Archives of British Columbia Memoir, no. 6); Alfred Waddington, The Fraser Mines Vindicated (Victoria, 1858); Howay & E. O. Schofield, British Columbia from the Earliest Times to the Present (Vancouver, S. J. Clarke, 1914), 4 vols.

2 An early historian of San Francisco wrote: "The custom-house records say that between the twentieth of April and the ninth of August (1858), the limits of the Fraser fever, fifteen thousand and eighty-eight passengers left San Francisco in one hundred and twelve vessels for the new Eldorado; but the 'Prices Current', a carefully edited commercial journal, said the number of adventurers was twenty-three thousand four hundred and twenty-eight, the reports to the custom-house being greatly below the truth in many cases" (Hittell, History of San Francisco, p. 275, cited in Rodman W. Paul, California Gold, The Beginning of Mining in the Far West (Lincoln, University of Nebraska Press, 1947), pp. 177-78).

W. J. Trimble, The Mining Advance into the Inland Empire (Madison, Wisconsin, 1914), p. 28, estimated that another 8,000 reached the Fraser by land.
were favourable to this shift in population: gold production had dropped, the new forms of mining required considerable capital, and by 1858, many miners, who were reluctant to work for wages, were in need of employment. As Howay, Sage and Angus wrote: "The rush was in reality merely the transporting of a part of California and the Pacific States to a land under the British flag".  

Merchant capital dominated the emerging gold economy. The gold production of British Columbia between 1858 and 1867 totalled more than $26 million. The value of this production was nearly all surplus, and most of it was exported to the United States. The part that remained behind, how-

---


4 Merchant capital "...relies on regional scarcities of raw materials and goods to obtain high prices extracted through credit costs, transportation rates, and merchandise mark-up. Merchant capital, typified by a low ratio of fixed to circulatory capital, also needs rapid turnover, and cannot undertake long-term risky investment. It is, therefore, oriented toward abetting the quick extraction of staple output, rather than industrial processing" (Naylor, "The Third Commercial Empire of the St. Lawrence", op. cit., p. 21).

5 Trimble, *The Mining Advance into the Inland Empire*, p. 102.

6 Between 1858 and 1867, it was estimated that more than $23,600,000 worth of gold was exported from British Columbia (Paul Philips, "Confederation and the Economy of British Columbia", in Shelton (ed.) *British Columbia and Confederation* (Victoria, 1967), calculated from Appendix A, p. 61). Cf. Bancroft, *History of British Columbia*, Vol. XXXII, p. vii: "As in California, in Australia, and in New Zealand, the wealth thus acquired was seldom turned to good account; and little of it remained to enrich the country whence it was gathered..."
ever, was appropriated by merchants, bankers and shipping firms, and by intermediaries of all kinds. There were a great number of these. Along with the miners came an entourage of merchants, speculators, gamblers, and an assortment of skilled and unskilled labourers; as Alfred Waddington said, they represented "...an indescribable array of Polish Jews, Italian fishermen, French cooks, jobbers, speculators of every kind, land agents, auctioneers, hangerson, and bummers, bankrupts and brokers of every description". With-in six weeks of the start of the gold rush, 225 buildings were added to a village of 800 inhabitants, and of these, 200 were stores, 59 belonging to jobbers and importers. Not all of those arriving in Victoria were speculators and gamblers. Many established shipping lines, wholesalers, importers, commission agents, express companies and banks started business. Samuel Price and Company, Dickson, De Wolf and Company, and the Lowe Brothers, for example, opened offices in Victoria; in 1858 a branch of Wells, Fargo was established; in 1859, a branch of the Bank of British North America was opened, and in 1862, the Bank of British Columbia commenced business. Most of the new firms, however, represented an extension of the San Francisco business community; one-half of the firms advertising in Victoria's first city directory were from San Francisco.

Gold miners were an ideal object of mercantile exploitation, and the provisioning trade was a source of large profits. A local inhabitant of Victoria said:

A miner is but the means of conveying money into other people's pockets: he is simply our agent, though he wouldn't acknowledge that position. I can name to you

8 Ibid., p. 18.
a hundred miners who have made fortunes, and
lost or spent them, for perhaps two who had
been able to stick to them. We townspeople
have nothing to do but sit on our beam-ends,
and wait for these hard-working, deluded crea­
tures to come and pour wealth into our laps! 9

Trade, brokerage fees and the exploitation of temporary and local short-
ages of goods were not the only source of profit. Real estate deals and
speculation also provided lucrative returns on investment. Land prices
soared in 1858. Some town-lots in Victoria, which were initially sold for
between $50 and $100, "were resold a month afterwards at prices varying
from fifteen hundred and three thousand dollars, and more". 10 The Hudson's
Bay Company, which owned the water frontage and most of the good building
sites near the harbour, profited from the increase in land prices, as did a
number of enterprising individuals. "There were about 30 holders of 10 or
more downtown lots in 1858". 11 For example: H.G. Dallas, R. Finlayson,
James Yates, Donald McTavish (all active or retired Hudson's Bay Company
employees), John Helmcken, Begbie, Robert Kerr (government officials), Rev.
Modeste Demers, Bishop Hills, and Donald Fraser, the Victoria correspondent
for the London Times, and later, along with Dallas, an influential member
of the "London Committee for watching the affairs of British Columbia",
were all large land holders. Fraser held land valued at $250,000 in 1862;
Robert Kerr, a government auditor, had land valued at $20,000; and Helmcken's
and Finlayson's holdings were valued at $32,000 and $12,000 respectively. 12


11 Harry Gregson, A History of Victoria, 1842-1970 (Victoria, The

12 Ibid., p. 23.
(ii) Victoria: Regional Metropolis

The massive influx of non-British miners posed an immediate threat to Britain's imperial interests in the Pacific Northwest. James Douglas acted promptly to deal with the situation, but underlying his concern for maintaining "law and order" was his desire to ensure the commercial supremacy of Victoria and to protect the trading rights of the Hudson's Bay Company. In December, 1857, Douglas, acting as Governor of Vancouver Island and as Chief Factor of the Hudson's Bay Company, issued a "proclamation" declaring that gold in place belonged to the Crown and that it could not be mined without the permission of the government. In order to mine gold a licence was necessary, and the licence could only be obtained in Victoria. In May, 1858, Douglas issued another proclamation prohibiting trade on the mainland without a licence from the Hudson's Bay Company and a sufferance from the Collector of Customs at Victoria. Douglas based his action on the Company's licence of exclusive trade with the Indians. A few weeks later, Douglas made a proposal to the Pacific Mail Steamship Company, an American firm that wanted to operate steamers between Victoria and the mining region, under which the steamship company would only carry Hudson's Bay Company goods and only passengers who had obtained a mining licence at Victoria, and the company would compensate the Hudson's Bay Company by paying a $2 head-tax for each miner carried to the Fraser River.

Lytton, the Colonial Secretary, disallowed both of these proclamations, but the dispatch did not reach Douglas until the fall of 1858. In the meantime, Douglas used the Royal Navy, which stationed a ship at the South Arm of the Fraser River, to enforce the licencing of miners and to prevent the entry of other boats and vessels with trading goods.  

For a discussion of the role of the Royal Navy during the gold
told Douglas that the Hudson's Bay Company "have no right to exclude strangers. They have had no rights of government, or of occupation of the soil. They have had no right to prevent or interfere with any kind of trading except with the Indians alone". And as Lytton had said in an earlier dispatch:

All claims and interests must be subordinated to that policy which is to be found in the peopling and opening up of the new country, with the intention of consolidating it as an integral and important part of the British Empire.

In August, 1858, the Colony of British Columbia was created by an act of the Imperial parliament, and Douglas, on condition that he severed his formal connection with the Hudson's Bay Company, was appointed Governor. The new Colony was to pay for itself and gold offered a source of prosperity, but England would continue to provide, as Lytton said, the "protection of her navy, and in times of emergency, of her troops".

---

14 Lytton (August 14, 1858), cited in Howay, Sage & Angus, British Columbia and the United States, p. 149.


Britain never sent to British Columbia a military force, though Douglas repeatedly asked for one. The Royal Engineers, however, were used on the mainland to enforce British authority (along with the Gold Commissioners and Judge Begbie). See, Frances Woodward, "The Influence of the Royal Engineers on the Development of British Columbia", B.C. Studies, no. 24 (Winter 1974-75), pp. 3-51.
The establishment of Victoria as a free port in January, 1860, was designed to make Victoria the commercial center of the region. Douglas, in alliance with the mercantile elite of the city, wanted to channel economic activity via Vancouver Island and to foster a vigorous provisioning trade, especially after the decline of business following the 1858 boom. As Ormsby wrote:

His plan...was to make Victoria, rather than San Francisco, or the Puget Sound's ports, or Portland, the metropolis of the mining fields; to direct trade to British firms and to build up British imports; and to open the Fraser River, rather than the Columbia route, as the avenue of trade and traffic.  

It appears to have been successful: imports into British Columbia from Vancouver Island rose from 162,529 pounds in 1859 to 402,679 pounds in 1862. Goods entering the Fraser River without being routed through Victoria were taxed heavily, retarding the development of New Westminster as a provisioning center. Victoria became the commercial, banking and shipping center of the region; Victoria was the dominant metropolis and it organized its hinterland around itself by providing the necessary market transportation system and financial facilities. In 1863, the British Columbia Colonist wrote:

So extensive has been the amount of capital expended on mercantile appliances in Victoria, so renumerative have those sources of wealth proved, so powerful is the connection formed by our importers with great shipping firms in England and other parts of the world, and so incomparably rapid has been the general progress of the city, that the colossal dimensions into which it is

---


18 Philips, "Confederation and the Economy of British Columbia", op. cit., p. 46.
destined to expand are already unmistakably for-
showed, as the leading mart of the sea-board north
of San Francisco. Nor would it be astonishing were
it to outmatch in future ages that renowned entrepot
of California.\textsuperscript{19}

Victoria's free trade position was a constant source of grievance
for the merchants and land speculators of New Westminister. The capitalists
of New Westminister wanted their city to become the entrepot of the main-
land, but most of the trade continued to flow to Victoria. Victoria was
prospering on the trade and commerce of British Columbia; it was estimated
that during the height of the Cariboo gold rush (1862-63) the indebtedness
of British Columbia to Victoria was over $2 million.\textsuperscript{20} Frederick Seymour,
the Governor of British Columbia after 1864, and a supporter of the local
capitalists, stated the basic grievance of the mainland in 1865:

\begin{quote}
The merchants and owners of town lots in Victoria
in the comparatively unimportant Colony of Vancouver
Island have drawn nearly all the share in profits of
gold discoveries in this colony which have not been
absorbed by California.\textsuperscript{21}
\end{quote}

To satisfy the merchants of New Westminister, the Southern Boundary Act was
passed in December, 1860. The Act placed heavy custom duties on goods en-
tering British Columbia through the southern interior. Throughout the col-
onial period, however, the conflict between Victoria and New Westminister
remained a constant feature of the political scene. Victoria was the center
of economic and political power, and though New Westminister attempted to
"fight" back, it maintained its status as a regional metropolis until it was
unseated by Vancouver and the Canadian Pacific Railway.

\textsuperscript{19} cited in Macfie, \textit{British Columbia and Vancouver Island}, p. 101.

\textsuperscript{20} Trimble, \textit{Mining Advance into the Inland Empire}, p. 51.

\textsuperscript{21} cited in M. Ormsby, "Frederick Seymour, The Forgotten Governor",\textit{ B.C. Studies}, no. 27 (Summer, 1974), p. 6.
(iii) The Financial Structure

The financial structure of British Columbia developed and grew out of the gold rush; it was geared to facilitating the exploitation and movement of staple products and goods over long distances. The financial structure emerged to complement the commercial system. The earliest banking services were provided by forwarding houses and express companies: Wells Fargo and Company and Freeman's Express, both American companies, were examples in this regard. MacDonald's Bank, established in 1859, was the first institution to offer full banking services. The Bank of British North America and the Bank of British Columbia, however, soon emerged as the dominant financial institutions in the region. Both of these banks were controlled from London, and both operated under Royal Charters. Their dominant position was enhanced by the passing of the Bank Note Act in 1864. This Act prohibited all banks, except those with Royal Charters, or those having issued before July 1, 1864 from issuing notes to pass as money. The Bank of British North America, which opened a branch in Victoria in 1859, was the banker for the city of Victoria and the government of Vancouver Island. The Bank of British Columbia, chartered in London in 1862 with an initial capital stock of 250,000 pounds, became the banker for the Colony of British Columbia, and substantially provided for the financial requirements of the Colony. The Bank of British Columbia also eventually acquired

---

22 see, Howay & Scholefield, British Columbia From the Earliest Times to the Present, chapter XXI, "Banks and Banking"; R. McIvor, Canadian Monetary and Banking and Fiscal Development (Toronto, 1958).


24 MacDonald's Bank was the only other bank that had issued notes before this date. It failed, however, after a controversial robbery in 1964.
the leading accounts among the merchant-traders, and it did a considerable business, along with the Bank of British North America, MacDonald's Bank and Wells Fargo, in exchange, discounting bills and making advances to traders. For the first few years interest charges were very high; the discount on bills ranged from 18% per year for 30 days to 36% for 60–90 days. British Columbia's commercial community was very much dependent upon the Bank of British Columbia for advances to pay off outside creditors; as Victor Ross said: "...their ability to carry on business became entirely dependent upon the continued generosity of the Bank".  

The financial system that developed in colonial British Columbia specialized in short term, self-extinguishing credit. The banks exercised a function that was purely monetary, and their credit practice was based on the needs of merchants and shipping interests. The financial structure discriminated against long term advances to agriculture and small industrial enterprises. The major exception was long term advances to the State, which unlike other investments, represented a low-risk venture. The State was an important debtor for both the Bank of British North America and the Bank of British Columbia. Both banks, but especially the Bank of British Columbia, assisted materially in the financing of the State by raising long term, financial capital on the bond markets in London.

The economic structure of colonial British Columbia was that of commercial capitalism. The business community was interested in commerce rather than production, and the financial structure complemented the commercial system by providing a liquid credit system. The banks served a

---

monetary function and not the function of capital formation. The capital requirements of the business community involved the provision of short term, merchant capital, and throughout the 1860s, the provision of long term, financial capital remained a major problem. As the demand for resources increased, however, business ventures that required long term, fixed capital did appear on the scene, and capital flowed into the region. British financial capital, mobilized on the formal money markets of London, financed most of these enterprises. The Vancouver Island Coal Mining Company and the Harewood Coal Mining Company, two English firms, exploited the coal-fields of Nanaimo; Anderson and Company, a London firm of shipowners and shipbrokers, came to Vancouver Island in 1860 and established a sawmill at Alberni Canal; Captain Stamp started a sawmill on Burrard Inlet with capital raised in London; and companies like the Colonial Securities Company Ltd., and later, the British Columbia Investment and Loan Society, directed English capital not only into colonial bonds, but also into real estate, mortgages, loans, and into the development of grist mills and graving docks. But nevertheless, merchant capital, which was well adapted to gathering up and exchanging surface products, dominated the economy of colonial British Columbia, and its dominance prevented or blocked the economic surplus from being channelled into the sphere of production. The credit system provided short term credit and discriminated against long term capital enterprises.

(iv) Transportation and the Public Debt

British Columbia lacked a commercial infrastructure in 1858, and as the gold "frontier" moved further inland, it became apparent that an improved transportation system was needed. The construction of roads and harbour facilities were designed not only to facilitate the movement of
goods and to reduce the high costs of transportation, but also to enhance political control and to ensure that the mining regions remained firmly tied to the Victoria-Fraser River route. The latter concern was emphasized by the fact that American capitalists were attempting to penetrate the mining regions by developing transportation facilities from the Puget Sound and through the southern interior. The construction of the Harrison-Lillooet route, coupled with the licencing system and the Southern Boundary Act, and the opening of the Cariboo Road in 1864, however, ensured the commercial dominance of the Fraser River route.

The Cariboo Road greatly reduced the cost of shipping goods to the interior; it was also responsible for the massive increase in public indebtedness. The transportation system of British Columbia was built almost entirely by public capital. The Cariboo Road, for example, cost $1,500,000 to build; and $600,000 of this amount was borrowed by the government. The Bank of British Columbia, acting as the agent of the government of British Columbia, raised most of the capital; it did this either by placing the government debentures on the London money market, or by purchasing the issues of debentures themselves.

26 see, Howay, Sage & Angus, British Columbia and the United States, pp. 150-54.

27 Private capital attempted to construct a wagon-road from Butte Inlet to the interior in order to gain complete control of the commerce and trade of the mining region. Alfred Waddington, who was granted a government charter, promoted and acted as the contractor for the project, and a number of prominent Victoria capitalists provided financial backing. Victoria speculators purchased lots at the town-site laid out by the Royal Engineers. The project ended in failure after an Indian uprising took the lives of 19 workmen. See, Ormsby, British Columbia, pp. 205-07.
and then reselling them on the London market as buyers could be found. The Bank of British Columbia also advanced money to the contractors building the Cariboo Road. By the end of 1865, both the government of Vancouver Island and the government of British Columbia were heavily in debt to the Bank.

(v) Public Finance and Regional Union

Gold production began to decline after 1863 and in 1864 the commercial boom associated with the Cariboo gold rush came to an end. The extensive credit system that had been built up to facilitate the exploitation and movement of gold collapsed about the merchants, traders, and bankers of Victoria and New Westminster. Between 1864 and 1865, the Bank of British Columbia made large advances—over $1,000,000—at Victoria; these advances, which rested on real estate and unsecured overdrafts to merchants, were too large for the bank's resources, and the bank found itself in serious financial difficulties, difficulties that it was unable to overcome until the 1870s. MacDonald's Bank, which had over $60,000 of its own notes in circulation, failed in November, 1864.

The economic doldrums were reflected in the public finances of the two colonies. The main sources of revenue were mining and liquor licences, the sale of public land, and in the Colony of British Columbia, a custom tariff

---


29 Ibid., p. 311.

30 Ormsby, British Columbia, p. 212.

and road taxes and tolls. But in each of the years between 1861 and 1865, both colonies experienced substantial budget deficits. The total debt of British Columbia increased from $26,000 in 1860, to $458,650 in 1862, to $1,189,830 in 1865; the increase was primarily the consequent of the expansion of the transportation system. The total debt of Vancouver Island increased from $4,440 in 1860 to $200,000 in 1865. In 1866, the year of the union of the colonies, the total debt amounted to $1,406,777, and more than one-quarter of the colonial revenues were going to pay the interest charges despite the imposition of custom duties at Victoria. Six months before union, Vancouver Island's overdraft at the Bank of British North America stood at almost $80,000 and the bank refused further advances unless authorized by the London directors. And the Colony of British Columbia, which was heavily in debt to the Bank of British Columbia, was on the verge of bankruptcy.

---

32 In 1869, taxes (customs, excise, road taxes, road tolls) accounted for 78% of the revenue of British Columbia; licences and fees accounted for 10%; and the public domain (land sales, land revenue, mining certificates, mining receipts) accounted for 5% (Bryce, The Finances of the Government of British Columbia, p. 3).

33 see, Philips, "Confederation and the Economy of British Columbia", op. cit., Appendix B, "Revenue, Expenditure and Debt for Vancouver Island and British Columbia: 1859-1870", p. 62. All of the following figures on public finance are taken from this appendix.

The financial weakness of the two colonies forced their union in 1866.

As F. A. Howay said:

The spectacle of the two colonies, with a population less than that of a third-rate city, staggering along with a debt of over one hundred dollars a head, and with two governors, two chief-justices, two attorneys-general, and so on down the list, seems more like a page from "opera bouffe" than from history.

And as Donald Creighton wrote:

The Union of Upper and Lower Canada in 1841 had been, to a large extent, the result of the financial weakness of Upper Canada and the need for a stronger fiscal base to support the completion of the St. Lawrence canals. It was, even more obviously, the financial weakness of British Columbia and Vancouver Island, and the need of combined strength to support the decline of placer-mining, which forced union of the two Pacific provinces in 1866.

It was expected that the consolidation of the colonies would strengthen the Colony's credit standing in London, reduce the costs of government and administration, and enhance British power and authority in the Pacific Northwest. Several years earlier, Newcastle had attempted to create a regional union similar to that being planned for Canada and the maritime colonies; but, the intense rivalry between the capitalists of Vancouver Island and British Columbia postponed his plan. At the time, the prosperity associated with gold production, promised a secure economic base, despite the added costs of government. The financial difficulties of the two colonies, however, forced the issue. The Colonial Office favoured union; in London, the Hudson's Bay Company, the Bank of British Columbia and the investors in colonial bonds, the


36 Creighton, "British North America at Confederation", *op. cit.*, pp. 34-35.
English capitalists who had invested capital in coal, sawmills and land, and the Royal Navy, which wanted to "eliminate difficulties faced by the Commander-in-Chief, Pacific, in dealing with two colonies instead of one"\textsuperscript{37} were able to overcome the opposition of Governor Seymour and the local business community of New Westminster. On November 19, 1866, the colonies of Vancouver Island and British Columbia were united under one Governor.

The union of the two colonies did not greatly help the situation. Prosperity ended with the subsiding of the gold rush; population declined, revenues fell, and the servicing of the public debt remained a major problem. By 1867 the net debt of the colony totalled nearly $1,500,000, added to which was a current loan from the Bank of British Columbia or $280,000.\textsuperscript{38} In November, 1867, Governor Seymour appealed to the Imperial government for an emergency grant of 50,000 pounds to meet the financial crisis, apparently without success, and in 1868, the Bank of British Columbia announced its intention of charging 18% on the government's overdrawn account.\textsuperscript{39}

Douglas confided to A. G. Dallas:

\begin{quote}
The situation here is not improved—trade is dull, people are gradually dropping off—property and rents are low, the Revenue far short of expenditures, public salaries in arrears—and things generally are looking dismal and gloomy...\textsuperscript{40}
\end{quote}

\begin{itemize}
\item \textsuperscript{37} Gough, The Royal Navy and the Northwest Coast, p. 218
\item \textsuperscript{38} Waite, The Life and Times of Confederation, p. 315.
\item \textsuperscript{40} (November 8, 1867) cited in Ormsby, "Frederick Seymour", \textit{op. cit.}, p. 14.
\end{itemize}
As the 1860s drew to a close, British Columbia was in a state of depression. It was within this context that the question of British Columbia's future development became a "burning" issue on the local political scene.

(C) The Metropolitan Network

(i) The Influence of San Francisco

Commercial capitalism in British Columbia did not develop in isolation. The economic and political development of the region was a historical product of the relation between the dominant metropolitan centers and the Colony. Victoria was the dominant commercial center of the region, but at the same time, the city was dominated by, and subordinate to, larger metropolitan centers. San Francisco was the major metropolis of the Pacific coast. Howay, Sage and Angus wrote:

San Francisco was Victoria's connecting link with the outside world. The shipping lines to the Pacific Northwest, to Panama, and across the Pacific had their headquarters in San Francisco, which also became the terminus of the Union Pacific Railway in 1869.\(^{41}\)

San Francisco was the main source of supply for the mining advance. In 1857 the total value of imports to Victoria from San Francisco amounted to only $29,448; in the single month of July, 1858, however, they rose to $808,954;\(^{42}\) and in 1861 they equalled $1,151,000; in 1862, $2,387,000; and in 1863, $1,940,000. On the other hand, the total value of imports from Great Britain to Victoria equalled $457,000 in 1861, $703,000 in 1862, and $1,294,000 in 1863.\(^{43}\) In terms of exports, over 75% of the total exports

---


\(^{42}\) Ormsby, *British Columbia*, p. 141.

\(^{43}\) Macfie, *Vancouver Island and British Columbia*, pp. 106-07.
from British Columbia were to the United States in 1872 (see Table IV). Gold accounted for most of these exports, and if it is excluded, the percentage was considerably less. In 1869, for example, only about 50% of the total exports from British Columbia, excluding gold, were to the United States, and the figure was approximately 40% in 1870.44

With the exception of gold, then, the United States was not a major market for the staple products of British Columbia. The demand of the United States for lumber, for instance, was of no importance in stimulating the development of this staple product. The sawmills of the Northwest states provided ample supplies of lumber for the San Francisco market, and, during the early colonial period, Victoria relied on the mills of the Puget Sound area for much of the lumber used in construction. The export of forest products from Vancouver Island and British Columbia during the colonial period went primarily to the United Kingdom and the Pacific Rim countries (see Table V). San Francisco maintained its dominant position only in terms of the provisioning trade, shipping and communications.

The metropolitan influence of San Francisco was obviously great; but, when a wider perspective is used, a perspective that takes into consideration the total framework of capitalist expansion on the Pacific Coast, the importance of San Francisco's influence becomes diminished as a determining factor in British Columbia's economic and political development. San Francisco did not exert the degree of power and control that the lines of trade and communications would seem to suggest. For behind the regional metropolitan network there existed older, and continuing, metropolitan influences

## TABLE IV

### TOTAL EXPORTS FROM BRITISH COLUMBIA, 1872

<table>
<thead>
<tr>
<th>TO:</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Great Britain</td>
<td>224,944</td>
</tr>
<tr>
<td>Australia</td>
<td>23,149</td>
</tr>
<tr>
<td>New Zealand</td>
<td>5,688</td>
</tr>
<tr>
<td>British Africa</td>
<td>3,739</td>
</tr>
<tr>
<td><strong>TOTAL BRITISH EMPIRE</strong></td>
<td><strong>257,520</strong></td>
</tr>
<tr>
<td>China</td>
<td>49,711</td>
</tr>
<tr>
<td>Hawaiian Islands</td>
<td>33,779</td>
</tr>
<tr>
<td>Chile</td>
<td>55,700</td>
</tr>
<tr>
<td>Peru</td>
<td>50,473</td>
</tr>
<tr>
<td>United States</td>
<td>1,405,217</td>
</tr>
<tr>
<td><strong>TOTAL ALL COUNTRIES OTHER THAN BRITISH EMPIRE</strong></td>
<td><strong>1,600,530</strong></td>
</tr>
<tr>
<td><strong>TOTAL ALL COUNTRIES</strong></td>
<td><strong>1,858,050</strong></td>
</tr>
</tbody>
</table>

Source: B.C., Economic Council, *Statistics of Industry, op. cit.*, Tables T 1, T 2, no page numbers
<table>
<thead>
<tr>
<th></th>
<th>Rough Lumber a</th>
<th>Dressed Lumber a</th>
<th>Spars</th>
<th>Pickets</th>
<th>Laths</th>
<th>Shingles</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td>190,803</td>
<td></td>
<td>780</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New S. Wales</td>
<td>356,517</td>
<td></td>
<td>24,307</td>
<td>88,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Victoria (Aust.)</td>
<td>1,605,040</td>
<td></td>
<td>15</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>1,507,537</td>
<td>37</td>
<td>15,000</td>
<td>73,700</td>
<td>156,000</td>
<td></td>
</tr>
<tr>
<td>Mexico</td>
<td>377,489</td>
<td>65,941</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chile</td>
<td>266,458</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sandwich Is.</td>
<td>973,000</td>
<td>127,000</td>
<td></td>
<td></td>
<td></td>
<td>635,000</td>
</tr>
<tr>
<td>Peru</td>
<td>2,150,222</td>
<td>1,116,327</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tahiti</td>
<td>117,007</td>
<td>33,634</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


a) in board feet
that acted not only to integrate British Columbia into Britain's expanding economy, but also to link San Francisco and its surrounding hinterland to the British metropolis.

(ii) Triangle of Trade and Investment

The discovery of gold in 1849 and the rapid commercial development of California attracted British capital and trade to the American Pacific Coast. A number of British firms moved into California to take advantage of the expanding commercial opportunities. During the gold rush, San Francisco imported not only manufactured goods but also a large quantity of foodstuffs. By the early 1860s, however, California's grain production greatly exceeded domestic consumption, and the necessity of marketing the surplus became a major problem. Since the repeal of the Corn Laws, Britain relied increasingly on foreign supplies to meet its demand for foodstuffs, and as the world's leading importer, the United Kingdom quickly emerged as the major buyer of Californian wheat and flour. In the first five months of 1860, almost one-half of the total amount of wheat and flour exported from California went to Great Britain, and by 1867, the figure had risen to almost 80% of the total.

An important triangular trade developed between Britain, Australia and Asia, and California. British manufactured goods were shipped to Australia-Asia, then Australian coal was carried to San Francisco, and finally, Californian wheat and flour was picked up and transported to Britain. British

---

45 During the 1850s, nearly 30% (annual average) of the wheat available for consumption in Britain was derived from overseas sources; by the late 1860s and early 1870s, the figure had increased to almost 50% of the total (Rodman W. Paul, "The Wheat Trade Between California and the United Kingdom", Mississippi Valley Historical Review, Vol. XIV (1958-59), p. 398).

shipping interests and British marine insurance dominated the wheat trade. And the credit system that emerged to facilitate the movement of this staple product was largely the domain of British Banks. California was an attractive field for the investment of outside capital in the 1860s, and funds flowed into the State in large amounts. The Commercial Bank of India, an English merchant bank established in 1845, opened a branch in San Francisco in 1863; in the spring of 1864, the British and California Banking Company, with its head office in London, took over the banking and exchange business of Faulkner, Bell and Company; in 1862, a branch of the Bank of British Columbia was established; a branch of the Bank of British North America opened for business in 1864; and the London and San Francisco Bank, owned by ten English and German banking companies, opened a branch in San Francisco, as well as one in New York, in 1865. Rodman W. Paul wrote:

If all this suggests a high degree of British influence, then it does no more than state the truth. The California trade was an almost perfect opportunity for Victorian economic imperialism. Here were openings

---

47 see, *ibid.*, p. 404.


49 "During the first thirty years of its existence, the San Francisco branch of the Bank of British Columbia was one of the three outstanding banks in California" (*Ibid.*, p. 257).

50 "During the many years of its successful career, it carried on a general deposit and commercial banking business, claiming as its clients many of the leading business men and firms not only of San Francisco, but also of the State at large" (*Ibid.*).
for British shipping, insurance, and finance, together with at least a limited market for British and colonial coal and British manufactured goods.  

The trade in wheat "made rural California and mercantile San Francisco almost a colonial appendage to Victorian Britain".

As the trade grew between California and Britain, English mercantile houses either established branch offices in San Francisco or relied on exclusive American correspondents. Balfour, Guthrie and Company was an example of the direct extension of British merchant and financial capital. The firm originated as a branch of Balfour, Williamson and Company, a Liverpool firm that had been involved in South American trade since the early 1850s. The company extended its operations to San Francisco in the late 1860s, and it soon became one of the dominant commission agencies and shippers on the Pacific Coast. Balfour, Guthrie and Company was primarily engaged in mercantile operations, but it also acted as an important channel for investing both its own and British capital in lumbering, coal mining, salmon fisheries, farm mortgages, ranching and land development projects. It served as the West Coast representative of a Scottish and British insurance company and acted as the agent for a variety of English investors. As Morton Rothstein said, Balfour, Guthrie and Company "played a role in those isolated but rapidly developing states which is analogous to that performed by the Barings in the East


52 Ibid., p. 412.

during a previous era". On the other hand, Falkner, Bell and Company, an old and established American firm, "illustrates an alternative way by which British businessmen could place orders for grain and could obtain supervision for their related affairs, if they did not wish to set up an American affiliate". Besides handling grain for Scottish and English companies, it acted as the representative for several British insurance companies, including Lloyd's of London, and for the Scottish American Investment Company. Falkner, Bell and Company, like Balfour, Guthrie and Company, directed British capital into a number of business activities.

(iii) Victoria and British Mercantile Houses

Many of the established San Francisco firms that came to Victoria after 1858 were part of this London-Liverpool-Glasgow metropolitan network. The local representatives of these firms were sometimes Americans, but as J.M.S. Careless pointed out:

...often instead they were Victorians of British background, serving as local partners in their firm ---which itself might reach back far beyond San Francisco in a chain of interlocking partnerships to New York, Liverpool and London. Dickson, De Wolf, for example (locally Dickson and Campbell), was based on H. N. Dickson's of London, and also had house or correspondents in Liverpool, Boston and Halifax.

Furthermore, while there were a considerable number of non-British merchants and commission agents operating in Victoria, the large-scale import/export

---


operations tended to be dominated by British merchant capitalists. J. J. Southgate, a British commission agent and shipper, for example, moved to Victoria from San Francisco in 1858, and the Lowe Brothers, two prominent British merchants with Hudson's Bay Company connections, transferred their mercantile operations to Victoria in 1861-62. Other important British merchant capitalists with direct ties to England included J. Robertson Steward, Robert Burnaby, Captain Stamp and G. M. Sproat.

J. Robertson Steward was involved in large-scale wholesale warehousing, and besides operating an insurance business for British and American companies, he acted as the agent of the British Columbia Investment and Loan Society. Robert Burnaby, after forming a partnership with an English capitalist, came to Victoria from London in 1858 to manage Henderson, Burnaby and Company. Burnaby was later involved in the Antler Bedrock Flume Company, the Queen Charlotte Mining Company, and the British Columbia and Victoria Navigation Company; and from 1860 to 1865, he was a member of the House of Assembly for the Esquimalt District. Captain Stamp was an English shipping master and

57 Ibid., pp. 110-11.
commission agent who was engaged in contracting spars and lumber on Puget Sound in 1858. He owned a considerable amount of land at Vancouver Island, Victoria and Langley, and after returning from England in 1860, he initiated the construction of a large steam-powered sawmill on Vancouver Island for Anderson and Company, a big London firm of shipowners and shipbrokers. Stamp later appeared on Burrard Inlet, where he built a sawmill for a group of English capitalists.61 And finally G. M. Sproat62 was sent to Vancouver Island by Anderson and Company, and after Captain Stamp resigned in 1862, he took over as the local manager of the firm. Sproat also established an importing, commission and insurance business, and after returning to England in 1865, he set up the "London Committee for Watching the Affairs of British Columbia".

It appears, then, to be quite evident that Victoria was not, in economic terms, a colonial appendage to San Francisco. The economy of British Columbia was dominated by a metropolitan network that went far beyond the city of San Francisco. As Keith Ralston first pointed out: a "triangle of trade" existed for both San Francisco and Victoria; a triangle of trade that "involved direct and independent links with Great Britain, as well as cross-connections with each other".63 San Francisco's influence as we will see,

61 "Stamp's sawmill" was owned by the British Columbia and Vancouver Island Spar, Lumber, and Sawmill Company; the company was incorporated in England with a capital of 100,000 pounds.


offset not only by British control of state power, but also, by the fact that
the dominant fraction of the capitalist class in British Columbia was firmly
linked to British capital; they were engaged in imperial trade and were bound
politically and ideologically to British capital.

(D) British Mercantile Elite and Confederation

The economic structure of colonial British Columbia was that of com­
mmercial capitalism. The big merchant-traders, who were predominately Bri­
tish, were engaged in large-scale import/export operations, and they main­
tained a close and subordinate relationship to the British metropolis. They
accumulated wealth in commerce and in those enterprises which promised quick
returns from readily exploitable resources. The big British merchant-traders
were the dominant or hegemonic fraction of the capitalist class and they were
closely allied with the high-ranking officials and bureaucrats of the colon­
ial government; together they formed a power alliance, guaranteeing their
specific interests, and the interests of English financial capital, by the
exercise of state power. The solidarity of interests between the big mer­
chant-traders and the top personnel of the executive was created by both their
common social background, and by the participation of key government officials
in commerce and land speculation.

The executive held the dominant position throughout the colonial per­
iod and it reflected the place from which the hegemonic fraction exercised
state power. This can be seen from a brief examination of the forms of the
State between 1849 and 1871. Vancouver Island was administered by a Governor
without a Council from 1850 to 1851. In 1851 a Council was added, but it was
not representative. From 1856 to the union of the Colony of Vancouver Island
and the Colony of British Columbia in 1866, an Assembly was in existence, but
neither the Governor nor the Council were representative or responsible through
the Assembly. The Colony of British Columbia in fact never had an Assembly;
from 1858 to 1864 it was ruled by the Governor without a Council, and in 1864 a Council was added, consisting of fifteen members, five of whom were elected. With the union in 1866 of the two Colonies the Council was increased to twenty-four members, but still only nine members were elected. Governor Musgrave increased the representative nature of the Council somewhat in 1870, but it did not substantially alter the fact that Colonial British Columbia was without responsible government until after 1871 and Confederation. The Crown refused to concede responsible government to colonial British Columbia despite the fact that the Mid-Victorian age was supposedly the high water mark of the "Philosophical Radicals" and "Little Englandism".

The colonial officials and bureaucrats of British Columbia were almost all of Anglo-Irish origin. Many of the key government officials had been associated with the Hudson's Bay Company in the past, and the close links between the Hudson's Bay Company, the state, and the dominant British merchants were a characteristic feature of the period. The success of the commission and wholesale business of the Lowe Brothers, for example, was largely a result of their close connection with the Hudson's Bay Company.

...the Lowes' ties with the older trading system on the north west coast, that of the Hudson's Bay Company, were plainly vital for a large part of their business operations. Thomas (Lowe) by his prior career and James (Lowe) by association had


66 see, Victoria, Colonist, February 12, 1859.
access to an "old boys' net" that had by no means lost its meaning on the coast with the end of the Oregon fur trade. The Lowes' business and social dealings with Douglas, Grahame, and Anderson—or with Allan, McKinley, Birnie, and many other Hudson's Bay figures, as agents, partners, or customers—all make that point essentially clear. The ties, moreover, went still further. Allan and McKinley were Perthshire men; Grahame and Anderson were Thomas Lowe's brothers-in-law, having also married daughters of James Birnie; and there were other complex interconnections of origin and marriage throughout the whole Oregon-Vancouver Island Company community.67

The British mercantile elite and the members of the executive, along with the high-ranking officers of the Royal Navy and the Royal Engineers, formed a ruling class in the Colony. They displayed aristocratic values and were the defenders of the mercantile order, opposing republicanism and the introduction of democratic institutions.68 The middle class was made up of the small traders and intermediaries who did not take part in the great imperial trade, and of the class of professionals who were excluded from power by the British governing clique. This class attempted to defend the interests of the small trader and farmer, opposed the mismanagement of public funds, and protested the domination by the traditional elites and the restraints imposed by the merchant-financial aristocracy of Victoria. The fight for responsible


government was bound up with the conflict between Victoria and New Westminster and with the question of Confederation, especially among the small group of Canadian professionals, newspapermen and traders. The Canadian group, led by Amor de Cosmos, John Robson and others, sought the destruction of the aristocratic structure of government and the establishment of responsible government, a government which they hoped to control. As Governor Musgrave reported:

The more prominent Agitators for Confederation are a small knot of Canadians who hope...to make fuller representative institutions and responsible government part of the new arrangements, and that they may so place themselves in positions of influence and emolument. 69

The British mercantile elite of British Columbia, in alliance with English financial capital, worked behind the scenes in London in order to safeguard their class interests; and these interests were those of British capital. Gilbert Sproat realized that the ultimate decisions effecting the future of British Columbia were made in London. As he said: "The Colonial Office did not care two straws for any popular movements here: the battle was in London". 70 On his return to London in 1865, Sproat set up the "London Committee for Watching the Affairs of British Columbia", which he described as "a fighting organization, and---true it is, though strange---a nucleus of general colonial opinion, in London, for half a dozen years". 71 Like the British North American Association, the "London Committee" brought together and coordinated a number of powerful English capitalists interested in the affairs of British Columbia. It represented the Hudson's Bay Company, the Bank


70 Richards, "Gilbert Malcolm Sproat:, op. cit., p. 23.

71 cited in Ibid.
of British Columbia, and the English capitalists who had invested in colonial bonds, resource-extraction and land. Members of the "London Committee for Watching the Affairs of British Columbia" included, along with Sproat, Donald Fraser, A. G. Dallas, and G. H. Richards of the Royal Navy. Donald Fraser, who was the Pacific Coast correspondent for the London Times, was also a large land-owner in Victoria, and in 1858 was appointed by Douglas to the Executive Council. A. G. Dallas succeeded Douglas as head of the Hudson's Bay Company's Western department; he was also Douglas' son-in-law. In 1862 he succeeded George Simpson as Governor of Rupert's Land, and in 1866 he left the active service of the Hudson's Bay Company, but remained a stockholder. Dallas kept in close contact with the Pacific Coast, and as Ormsby said: "...he was intimate with London bankers, financiers and promoters who were seeking opportunities to invest capital in railway systems".  

Sproat and the "London Committee" did not oppose the union of Vancouver Island and British Columbia in 1866, but they did oppose the terms for union. They especially objected to the loss of Victoria's free port status and the suspension of Vancouver Island's Legislative Assembly. As Sproat said:

Had the free port, according to the conception of the Home government, been conserved, it would have been the means of creating a large city—a commercial and money center, radiating energy throughout the whole country, and subsequent province—a city, probably, only second to San Francisco on the Pacific seaboard.  

The "London Committee" and the ruling class of British Columbia, however, were able to wage a successful campaign to have Victoria made the capital of the

72 Ormsby, British Columbia, p. 156.

Colony, despite the objections of Governor Seymour and New Westminster. 74

Throughout the rest of the 1860s, Sproat and Dallas, along with Dr. Rae, Dr. Cheadle, Captain Richards, Whymper, Alfred Waddington, and "others of greater wealth, rank and influence", 75 continued to lobby in London on the matter of the "Overland Route" from Canada to the Pacific.

Another English capitalist who was interested in the future development of British Columbia was Alfred Robert Roche. Henry Crease, 76 the Attorney-General of British Columbia, was Roche's friend and correspondent on the Pacific Coast. Crease, in order to earn more money, acted as the agent for the Colonial Securities Company, an English company that directed British capital "into colonial bonds, real estate, mortgages, and loans, and more importantly to developments like grist mills, graving docks, and railways". 77 Roche was

74 After the Legislative Council voted in favour of Victoria for the Capital, Helmcken reported how he was surprised and pleased with the vote, but that the residents of New Westminster were angry. "After dinner, Cox, Pemberton, Southgate, Stamp and I were sitting smoking in the backroom---not a little bit satisfied when...the landlord came in a little frightened, saying, you had better not go outside! There is a crowd waiting for you and threaten to be revenged on you but particularly Cox". (cited in Ormsby, "Some Irish Figures", op. cit., p. 75).


77 Ibid., p. 66.
Secretary of the Company and the Royal Colonial Society in London,\textsuperscript{78} and he tried to influence the Colonial Secretary to leave the capital in New Westminster. Crease, who had invested heavily in the area, also favoured New Westminster. Roche, interested in investment opportunities and railways, however, continued to pressure for the maintenance of the Imperial connection.

A. R. Roche, a heavy investor in a number of enterprises in British Columbia, had long been an advocate of North American Union. As he watched from London the "grasping propensities" of the United States, he urged his friends in the Colony to sustain a demand for the construction of a naval dry-dock at Esquimalt and a railway to span British North America, two projects necessary to reinforce the bond with the United Kingdom. At his invitation, eight colonists, including Sir James Douglas, became members of the Royal Colonial Institute in 1869. Subscribing to the efforts of the Institute to offset the current vogue of anti-colonialism in England, this little group, most of them government officials, worked to maintain enthusiasm for an Imperial connection which would be firm though of necessity elastic.\textsuperscript{79}

Roche was an Anglo-Canadian expansionist. In 1855, he urged that Canadian troops help take Alaska so that Canada could have a voice in its disposition after the Crimean War,\textsuperscript{80} and, since the early 1850s, he was involved in the promotion of transcontinental railway schemes. Roche was associated with Allan MacDonell, the Toronto capitalist, who had tried to start a "new Northwest Company". In 1851 MacDonell failed to get a charter for the incorporation of the Lake Superior and Pacific Railway, but in 1858 he was able to obtain a charter for the Northwest Transportation, Navigation and Railway Company, which

\textsuperscript{78} "Roche appears to have been so quietly powerful in London that he not only controlled the purse strings of the Company, but could, on occasion, scatter his friends and business associates across the empire" (ibid).

\textsuperscript{79} Ormsby, \textit{British Columbia}, p. 236.

\textsuperscript{80} see, Morton, \textit{The Critical Years}, p. 26; also A. R. Roche, \textit{A View of Russian American in Connection with the Present War} (Montreal, 1855).
was "impowered to construct links of railway between navigable lakes and rivers, so as to provide facilities for transport from the shores of Lake Superior to Fraser's River". MacDonell failed to get financial backing; Roche, however, continued to advocate Confederation and a Pacific Railway. The Colonial Securities Company was interested in financing an overland wagon road from British Columbia to connect with a Canadian line at Red River. Crease wrote to Douglas in March, 1867, reporting that the financial arrangements had been made for the road and that the chief delegates to the Confederation Conference in Canada were interested.

The members of the mercantile elite were not unanimous in favouring British Columbia's entry into the Canadian federation; some of them represented the doubts and mistrust in the Victoria mercantile community of union with far-off Canada, and this was understandable considering the amount of trade that flowed between San Francisco and Victoria. In general terms, however, the British mercantile elite actively sought, in Victoria and London, the development of a transcontinental trading system within the context of British imperialism. Many of the high-ranking officials of the colonial bureaucracy also initially opposed Confederation, not because they were anti-British or favoured annexation with the United States, but because of their material concern over their position in any future Dominion. As Sage said: "The real crux of the political situation was the attitude of the officials. They knew that union with Canada would probably mean that they would be thrown

---

81 Trotter, Canadian Federation, p. 258.
82 Elliott, "Henry P. Pellow Crease", op. cit., p. 66.
83 Careless, "The Lowe Brothers", op. cit., p. 15.
out of employment". Governor Musgrave, who succeeded Seymour after his death, was instructed by the Colonial Office to bring British Columbia into the Canadian Federation, and he was able to overcome the opposition of the officials by offering positions under the Dominion Government, promising pensions to the executive councillors, and when vacancies were available, transfers to posts in other colonies.

In terms of the future development of British Columbia, annexation with the United States was never a real alternative to Confederation. The annexation movement was centered amongst the small merchants and traders of Victoria, most of whom were non-British. As W. E. Ireland said: "Economic dissatisfaction was the basis of the movement". The main source of support for the movement in the United States came from California. San Francisco wanted the coal fields of Vancouver Island and it wanted to prevent the construction of a transcontinental railway to British Columbia; a railway that


85 Ibid.


87 Ireland, "The Annexation Petition", op. cit., p. 269.
would enable Victoria, 1,500 miles closer to the Orient than San Francisco, to outstrip San Francisco for the Asiatic trade. But despite the American purchase of Alaska in 1867 and the expansionist statements of William Seward, the Secretary of State for the United States, the many resolutions and petitions urging the annexation of the Pacific Northwest never received much support in Washington. Within the Colony the movement was confined to the small non-British shopkeepers and merchants of Victoria, and there was no evidence of support on the mainland. Both the Canadian confederalists and the British mercantile elite realized that an American northern transcontinental railway would have Seattle as its terminus. And it was only the British imperial strategy of British North American consolidation and expansion that offered Victoria the chance of becoming the terminus of its own transcontinental railway. As the British Colonist wrote on August 30, 1864:

> With telegraphic and railway communication from the one ocean to the other, and with a federal union that will collect and concentrate the colonial intellect representing the various colonial interests, what country can have a greater future before it than this gigantic confederacy with its illumitable and diversified resources.

(E) British Merchant Banks and Confederation

Britain's industrial economy relied for its expansion on international trade. Overseas markets for its manufactured products and overseas outlets for its surplus capital were an integral and growing part of her economy in the nineteenth century. The hegemonic fraction of the capitalist class in England was involved in international merchant capitalism. They derived pro-

---


fits from foreign trade and services such as insurance and brokerage commissions, from shipping, and from the interest and dividends on foreign loans. Industrial capital remained dependent upon merchant capital for the development and expansion of markets, and this partially explains the external orientation of the British economy. The capitalists who were engaged in international finance and trade dominated both the British economy and state.

The merchant bankers of London were especially powerful; Baring Brothers and Glyn, Mills and Company, for example, were directly represented within government circles. Alexander Baring was a member of the British Parliament and the brother-in-law of P. C. Labouchere, a Colonial Secretary. The Baring family, for public service, at home and abroad, "collected no fewer than eight peerages, the first in 1835, the latest in 1961".

Following close on one another in the 1830s, they produced a President of the Board of Trade and a Chancellor of the Exchequer, in the 1870s a Viceroy of India, in the quarter-century to 1908 the "pro-consul" of Egypt (the first Lord Cramer), in the two decades to 1960 a key figure in diplomacy on the African continent (Sir Evelyn Baring, now Lord Howick) and in 1961 a Governor of the Bank (the third Earl of Cramer).

The Glyns were equally as influential within the government. George Carr Glyn was a Member of Parliament for Kendal since 1847, from 1866 onwards he was

---


93 Ibid., p. 102.
Gladstone's chief whip, and in 1867 he was made a peer on the recommendation of Gladstone. As Fulford said:

For Whip or Liberal Cabinet Ministers Glyn did much valuable work behind the scenes. Gladstone and Althorp at the Exchequer, Charendon in Ireland and Dalhousie in India were all glad to avail themselves of the advice and guidance.

In short, the men who ruled Britain in the nineteenth century were involved in international merchant capitalism. London was the center of international trading and financial transactions, and it was from this center that British imperial policy emanated.

The merchant and imperial bankers of London formed a close-knit, interconnected group of powerful capitalists; as A. S. J. Baster concluded:

...right from the earliest times, these banks formed in London a compact and homogeneous group, connected amongst themselves or with English Domestic banks, by a comprehensive system of interlocking directorates—without taking account of mercantile connections and mercantile origins.

They directed British capital to Canada, India and other foreign and colonial governments, and in so doing, they ushered in what Jenks has called a "period of enterprise administered abroad from London".

For Canada and India the importation of British capital at that time (after 1850) implied a persistent measure of business control from London. And it gave rise to memorable episodes in which arts of political manipulation gave aid to the craft of enterprise.

94 Fulford, Glyns, p. 132,133,179.
95 Ibid., p. 132.
96 A. S. J. Baster, The Imperial Banks (London, P. S. King and Son, 1929), p. 120.
98 Ibid., p. 198.
The Bank of British North America and the Bank of British Columbia were part of this group, and in conjunction with the mercantile interests of London, Montreal and Victoria, were instrumental in the development of a strong, centralized state structure in British North America—a strong state structure that would ensure the security and future profitability of their investments.

The large merchant banks, such as Baring's and Glyn's, and the "Empire" banks, such as the Bank of British North America and the Bank of British Columbia were complementary in many respects. Merchant banks, however, differed from chartered commercial banks in that they did not deal with individual citizens; they dealt with established businesses and governments, including the provision of credit for commercial banks. In other words, merchant banks were not banks of deposit and issue in the present-day sense. The Bank of British North America and the Bank of British Columbia nevertheless performed an analogous role in the economy of British Columbia to that of Baring's and Glyn's in Canada. They financed overseas trade, issued loans to the colonial government—often buying the loan themselves, and if they could resell the debentures, at a large profit margin—and most important, their influence in London was great. Both the Bank of British North America and the Bank of British Columbia were directed from London, and their concern for their customers' credit standing in the Colony was an elementary aspect of their operations.

The creation of the Bank of British North America coincided with the first sizeable infusion of British capital into Canada. The bank was established in 1736 by a group of English capitalists. The second meeting of the London Committee was attended by Robert Gillespie of Gillespie and Company, the English branch of Gillespie, Moffatt and Company of Montreal; James Dowie, of

Gould, Dowie and Company of Quebec, Halifax and New York; and by a representative of the Provincial Bank of Ireland and other British mercantile houses. A resolution was passed at this meeting inviting the participation of Baring Brothers; Rothschild; Ried, Irving and Company; Edward Ellice; Kinnar and Company; R. N. Hunt of Newman, Hunt and Company of St. Johns, Newfoundland; and others. George Forsyth and Russell Ellice, two prominent Canadian merchant-traders attended the next meeting. There were thirteen directors listed, including Oliver Farrer (also of the Provincial Bank of Ireland, Bank of Australasia, Ionian Bank, and the "Mediterranean Bank"), Sir Andrew Pellet Greene (also of the "Mediterranean Bank" and the Ionian Bank), Sir Robert Campbell and William Medley (both also of the Provincial Bank of Ireland), and Alexander Gillespie, Jr. (also of the British American Land Company, and later, the British North American Association). The company's banker was Glyn, Mills and Company.

By the end of 1837, the Bank of British North America had branches in Montreal, Quebec, Halifax, Toronto, St. John, New Brunswick, and St. John's, Newfoundland, and a paid-up capital of 340,000 pounds, which was larger than that of any other bank in Canada. In 1859 a branch was established at Victoria and within a few years, the bank had branches on the mainland and in California. The London directors and shareholders of the Bank of British North America had powerful connections in London, and their influence can be seen in the evolution of the Canadian banking system, on banking legislation, and on the economic and political development of Canada. As Bray Hammond said:

The establishment of the Bank of British North America, in the light of what happened later, was of considerable significance. It was an early and major movement of British capital into the Provinces.

---

It presaged greater future investments, and in a sense it anticipated federation, taking economic unity for granted and setting up in fact as well as in name a branch of British North America, interprovincial or national, as other banks so far were not. It was an impressive step by Great Britain as Imperial participant in the internal development of Canada and dominant external influence upon her institutions. It indicated...an awakened spirit in the mother country.101

The Bank of British Columbia was founded in London in 1862 by a group of English bankers and merchants.102 The new bank was originally to be called the Bank of British Columbia and Vancouver Island, but the awkwardness of the name, and "possibly a hint from the Colonial Office of probable union of the two colonies",103 resulted in the name being changed to the Bank of British Columbia. The gold discoveries on the Fraser, the abundance of capital seeking investment in London, and the success of recent banking ventures in England and abroad encouraged the establishment of the bank. The bank had a nominal capital stock of 250,000 pounds, and by 1865, it had six branches, including one in Portland and San Francisco. The American branches in fact often exceeded those of British Columbia in magnitude and profit.

The Bank of British Columbia, like the Bank of British North America, had well established connections in London. The directors of the banking company included: Thomas William Lockwood Mackean (chairman), who was also a member of Turner and Company of China, a director of the London and South African Bank, and he had an interest in the Victoria firm of Stewart, Meldrum and Company; Robert Gillespie, Jr. (deputy chairman and future chairman), who was a


member of Gillespie, Moffat and Company, London and Montreal, a large Canadian mercantile house involved in railways and land in the east; Eden Colville, who was also a director of the Hudson's Bay Company, the Colonial Bank and the West Indian Dock Company; Alexander Mackenzie, who was also a director of the Oriental Bank; Henry McCchlery, who was a member of the private banking firm of Cavan, Lubbock and Company, and later, a director of the National Provincial Bank; Martin Ridley Smith, who was a member of the private banking house of Smith, Payne and Smiths, which was the agent for the Bank of Montreal in London between 1837 and 1842; James Anderson, who was a member of Anderson and Company, the London firm of shipowners and shipbrokers who financed a large saw-mill on Alberni Canal on Vancouver Island; and Duncan James Kay, Lewis Fraser and James Bonar, who were all members of long-standing and substantial London Houses. As well as having powerful connections in London, the Bank of British Columbia also had a strong connections with the Atlantic Coast and Canada. The Halifax Banking Company and the Merchants Bank of Prince Edward Island acted as the bank's agent on the Atlantic. Sir Samuel Cunard, who was one of the original partners in the Halifax Banking Company, was one of the original subscribers in the Bank of British Columbia. Gillespie, Moffat and Company was the agent in Montreal, and Falkner, Bell and Company was appointed the agent in San Francisco until the bank opened its own branch there in 1864.

Gillespie, who was also a director of the Bank of British North America, desired to strengthen the connection between British Columbia, Canada and England, and he exerted considerable influence in this direction. In 1863, Gillespie, Moffat and Company "advised the Bank of British Columbia that so far there had been little intercourse between the two colonies, but that if the projected telegraph and other communication through the Red River country should be carried out, the connection might become more intimate". 104 And in 1862 the Directors

104 Ibid., p. 297.
had "asked the Victoria manager to give attention to the desirability of establishing a uniform standard of value for the pound sterling throughout British North America. They look forward to extensive intercourse between Canada and the Pacific Coast colonies at no distant day, deem it advisable that the method of quoting exchange should be the same as in Canada, and ask the manager to use his influence to this end".  

As Ross concluded: "...it is evident that the influence of the Bank of British Columbia was strongly directed toward the strengthening of the ties with Great Britain and Canada".

(F) Summary and Conclusion

The economic structure of the Colony of British Columbia was that of commercial or merchant capitalism; a capitalism based on the exploitation and movement of a staple product, gold. Merchant capital, which was well adapted to gathering up and exchanging surface products, dominated the economy of the Colony. The total value of gold production was nearly all surplus, and it was appropriated by merchants, bankers and shipping firms, and by intermediaries of all kinds. Gold miners were the ideal object of mercantile exploitation.

Victoria was the dominant commercial center of the region; it was the regional metropolis. Victoria organized its hinterland around itself by providing the necessary market transportation system and financial facilities. The capitalists of Victoria were able to ensure the commercial supremacy of their city by enacting regulations and legislation, such as the "licencing system" for miners and the Southern Boundary Act, by establishing Victoria as a free port, and by building a transportation system that would ensure that trade was drawn along the Fraser River-Victoria route. The conflict between Victoria and New Westminster—a conflict that was a constant feature of the political

105 Ibid., p. 298.
106 Ibid.
scene throughout the colonial period—can be interpreted and explained in terms of a metropolis-hinterland perspective. New Westminster aspired to metropolitan dominance but was checked by the entrenched power and influence of Victoria.

The financial structure that grew up in British Columbia was geared to facilitating the exploitation and movement of staple products over long distances. The financial structure emerged to complement the commercial system. Private capital, if it was invested and not hoarded or exported, was invested in extractive or mercantile operations. After 1858 and the increase in the demand for resources, foreign capital flowed into the region. There was some domestic capital accumulation. Sewell Prescott Moody, Moses Ireland and James Van Bramer, for example, built a sawmill on Burrard Inlet from the profits they had made in gold mining on the Fraser River. But despite the fact that large quantities of gold were mined in British Columbia, little of it was reinvested in the region, and by far the greatest portion was exported. In fact, throughout the 1860s and beyond, British Columbia experienced a lack of capital for both private and public ventures. The foreign capital that did enter the region was predominately English financial capital, and it tended to flow into the export and import trades and not into domestic opportunities. Public capital, on the other hand, was, like private capital, mobilized on the formal capital markets of London, but usually by the Banks. Public capital was used in the construction of roads and harbour facilities—the commercial infrastructure—and, like the construction of canals and railways in the colonies of Eastern Canada, absorbed an enormous share of public capital and contributed greatly to the large public debt that accrued during the pre-confederation period.

The increase in the public debt and the financial weakness of the two colonies forced their union in 1866. Behind the scheme for regional union stood the Bank of British Columbia and the Bank of British North America; both of these banks were seriously concerned about the public finances of the colonies, and along with other English capitalists who had invested heavily in colonial bonds, pressured the Colonial Office to achieve this end. Regional consolidation was expected to strengthen the Colony's credit standing in London. The Hudson's Bay Company and the English capitalists who had invested in colonial coal, timber and land also favoured union. The parallels between the situation in British Columbia and the developments in Canada in the 1860s are striking.

Victoria, while being the dominant metropolis of the region, was at the same time dominated by, and connected to, the larger metropolitan centers of San Francisco and London. The fur trade had tied the Pacific Northwest directly to Montreal for a short period of time, but after the amalgamation of the Northwest Company and the Hudson's Bay Company in 1821, direct maritime links to London were established. The discovery of gold on the Fraser River in 1857, however, transformed the pattern of trade in the region. San Francisco became the major market for British Columbia, as well as the most important source of supply. Victoria, however, was not simply a colonial appendage to San Francisco. The metropolitan influence of San Francisco, to repeat what J. M. S. Careless said, was offset by a British influence in politics, capital investments, business personnel, and by "the very dealings with firms in San Francisco that were themselves part of a London-Liverpool and Glasgow metropolitan network". 108 A triangle of trade and capital investment existed between Victoria,

San Francisco and London, and through London to Montreal. This metropolitan network tied the Colony of British Columbia to Great Britain, and ultimately to Canada. In other words, Britain was able to maintain control of British Columbia, and to preserve her strategic interests in the region, not only because of outright political possession, but also because of capital investments and a significant British influence in trade, insurance, business personnel and finance.

The capitalist class of British Columbia was based on merchant capital. The big merchants of Victoria were predominately British and they were engaged in large scale import-export operations. They accumulated capital in the commerce of staples and in the provisioning trade rather than out of industrial development even on the smallest scale. The business community was interested in commerce rather than production. The merchants and the financiers of Victoria and the officials and bureaucrats of the colonial government were closely allied; they formed a power alliance and guaranteed their specific interest, and the interest of English financial capital, by the exercise of state power.

The executive branch of government predominated throughout the colonial period. The conflict between the big merchants, landholders and officials and the small-scale merchants, farmers and professionals related to the conflict between the executive and the legislature. Similarly, the conflict between Victoria and New Westminster, as manifested in the question of free trade and tariffs, the union of the two colonies, and the choice for the site of the capital after the union of the two colonies, can be interpreted as not only the conflict between a metropolis and hinterland, but also a struggle for state power between various fractions of the capitalist class.
The dominant fraction of the capitalist class in the Colony was firmly linked to British capital. The mercantile elite of Victoria was engaged in imperial trade and they were bound politically and ideologically to British capital. The mercantile elite, in alliance with English financial capital, worked behind the scenes in London to safeguard their interests, the interests of British capital. Like the merchants and financiers of Montreal, the mercantile elite of Victoria agitated for an overland route from Canada to the Pacific. The long distance and imperial trade drawn across British North America was the major reason behind the drive to construct a transcontinental railway. The merchants and financiers of Victoria would profit as the intermediaries of this trade, but only if Victoria was the Pacific terminus of a railway scheme.

Finally, British merchant banks also played a very influential role in strengthening the ties between British Columbia, Great Britain and Canada. The Bank of British Columbia and the Bank of British North America were the two dominant financial institutions in the Colony; both of these banks were controlled from London. They were connected amongst themselves and with other English and Canadian banks and mercantile houses by an intricate web of interlocking directorships. These merchant banks formed a close-knit, compact group in London and they played a dominant role in the politics of British imperialism. London was the center of the international trading and financial operations; it was the center of British imperial policy, and it was from this center that pressure for Confederation emanated. The Bank of British Columbia and the Bank of British North America played a role in the road to Confederation for British Columbia analogous to that played by the big merchant banks of Baring's and Glyn's in Canada. The English capitalists connected with the
big merchant banks were engaged in international trade and finance, and they put British capital to work in the interest of binding foreign and colonial markets to the British factory and in developing sources of foodstuffs and raw materials. The socio-economic development of British Columbia was part of this process of British economic imperialism. British financial capital, in alliance with the mercantile interests of London, Montreal and Victoria, stood behind the drive toward Confederation. A strong, centralized state structure in British North America would ensure the security and future profitability of their investments.
VIII Conclusion

In the preceding pages, I have attempted to answer all of the questions put forth in the introduction. Since the answers to these questions have been explicitly stated throughout the thesis, it seems unnecessary to repeat them all here. This chapter, therefore, will merely attempt to provide the reader with a brief review of the more general and important conclusions.

1 (a) The historians of British Columbia who attempted to explain the forces behind the Colony's entry into the Canadian Federation found the conditions of the rise, evolution and functioning of the social formation in the "intentional" activity of individuals, in the environment, or in technology. This approach, while providing useful information and insights, failed to bring to light the more fundamental structures that shape and determine empirical reality; it failed to bring to light the unintentional properties inherent in the economic structure and social relations.

(b) The socio-economic development of the Pacific Northwest did not take place in isolation. British Columbia's entry into Confederation occurred within the total framework of capitalist expansion in the nineteenth century. It occurred within the context of British imperialism. The historians of British Columbia have failed to adequately examine and explain the nature and character of British imperialism in the region.

(c) The forces behind British Columbia's entry into Confederation can only be explained by examining the historical and structural circumstances surrounding the relative stages of economic development in the metropole and the hinterland. The structural relationship between the Colony
and the British metropolis changed as the economic structure of England changed.

(2) At a fundamental, structural level, the road to Confederation for British Columbia—as for Canada—was essentially determined by a shift in the economic structure of England from merchant capitalism to industrial capitalism. This shift resulted in the transformation of the nature and character of British imperialism.

(3) In this thesis, imperialism was defined as a sufficient political function of the process of integrating new regions into expanding economies. The "mercantilist use of power to obtain commercial supremacy and monopoly through political possession" or the "imperialism of free trade" which is content to "limit the use of paramount power to establishing the security of trade" are variable political functions of an expanding industrialized economy. ¹

(4) (a) Great Britain was consistent in attempting to integrate the Pacific Northwest into its own expanding economy. An examination of British policy in the region dispels the "classical view" that argued that the middle decades of the nineteenth century was a period of anti-imperialism and indifference toward empire. Britain demonstrated an essential continuity in its imperial policy throughout the period. The ideological conceptions associated with industrial capital masked this continuity.

(b) Britain was able to establish and maintain paramountcy in British Columbia by using both the informal and formal methods of control and expansion. Underlying the diverse forms and methods, however, was the

basic principle of extending control.

(c) The instruments of British imperialism and the character of economic development in the hinterland region of the Pacific Northwest changed as the economic structure of the metropole changed. The Hudson's Bay Company reflected an earlier era, the era of merchant capitalism, and the big British merchant and empire banks reflected the era of industrial capitalism.

(5) (a) The Hudson's Bay Company, protected by the Royal Navy, acted as the instrument of British territorial control and expansion in the period before 1858. The Hudson's Bay Company maintained the commercial and strategic interests of the empire and integrated the region into Britain's own expanding economy by means of the mercantilist technique of monopoly. The great fur trading monopoly opened the door to future trade and investment without the British government resorting to formal annexation or outright political possession.

(b) The Hudson's Bay Company was a "throw-back" to the era of merchant capitalism, the era of mercantilism. During the period of Colonial-Company-Rule (1849-1858) the Company obstructed and delayed settlement, and fixed the relations of production in an archaic mold of extra-economic coercion.

(c) The Hudson's Bay Company was an anomaly in the age of industrial capitalism and it came under attack by the merchants and industrialists who were the bearers of the new social relations of production and of the new conception of empire. The monopoly position of the Company finally came to an end because of the pressure exerted in London by British and Canadian capitalists; capitalists who clearly saw that the interests of
monopoly could not be reconciled with commercial and agricultural development.

(6) (a) The period between 1858 and 1871 was the period of direct colonial rule in British Columbia. The Colony was directly administered by the Crown. Political possession, however, did not simply represent an extension of mercantilism. The control of state power was only one factor responsible for maintaining British authority in the region; Britain was also able to exercise control through the techniques of capital and commercial penetration.

(b) British Columbia was part of a triangle of trade and investment; a triangle that included Victoria, San Francisco and London. London was the center of the metropolitan network. Outright political possession, important though it was in maintaining the British imperial connection, was only a variable political function of an expanding industrialized British economy.

(c) The period of direct colonial rule was also a period in which the big British merchant banks played a dominant role in the politics of British imperialism. They directed capital abroad and ushered in a "period of enterprise administered from London". The new strategy involved converting underdeveloped regions into complementary hinterland economies; satellite regions that would provide raw materials and food for Great Britain, while at the same time providing markets for her manufactures and surplus capital. Both British Columbia and Canada were connected to Lon-

---

dorn, the center of British imperial policy, and it was from this center that pressure for Confederation emanated.

(7) (a) The entry of British Columbia into Confederation had its roots in the drive by English financial capital, in alliance with the merchant and financial interests of Montreal, to create a unified commercial system within the context of British imperialism. The development of a transcontinental trading system would make British North America a great "half-way" house by channelling trade and commerce between the Far East and Europe. The ruling class of British Columbia was firmly linked to British capital, and they actively sought, in London, Montreal and Victoria, the achievement of Confederation. British Columbia was, as Alfred Waddington said, the "key to the North Pacific".

(b) The imperial strategy involved the consolidation and expansion of British North America within a strong, centralized state structure; the acquisition and development of a western hinterland was an integral part of this strategy. It was through a program of railway expansion that English financial capital sought to save its investments in Canada.

(c) Confederation would provide the necessary political stability and economic security for a fundamental project of economic growth. The Canadian State was to act as the instrument of the financiers of London, by guaranteeing their loans and investments, and at the same time it was to serve their partners, the Canadian merchants, railwayment and bankers.
BIBLIOGRAPHY


Bodelsen, C. A. Studies in Mid-Victorian Imperialism. Copenhagen, 1924.


Gosnell, R.E. Year Book of British Columbia. Victoria, 1911.

Gosnell, R.E. The Story of Confederation. Published by the author, 1918.


Keenleyside, Hugh L. "British Columbia - Annexation or Confederation". *Canadian Historical Association, Reports*, 1928, pp.34-40.


McIvor, R. Canadian Monetary and Banking and Fiscal Development. Toronto, 1958.


Mayne, R.C. Four Years in British Columbia and Vancouver Island. London, John Murry, 1862.


*Parliamentary Debates on the Subject of Confederation*. Ottawa, The Queen's Printer, 1951.


Roche, A. R. A View of Russian America in Connection with the Present War. Montreal, 1855.


